

San Luis Obispo, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018

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DAN RIVOIRE, COUNCIL MEMBER
AARON GOMEZ, COUNCIL MEMBER
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City of San Luis Obispo, California

www.slocity.org

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Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

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INTRODUCTORY SECTION



Finance Department

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December 21, 2018

TO: The Honorable Mayor and Members of the City Council and Citizens of the City of San Luis Obispo

FROM: Derek Johnson, City Manager
Brigitte Elke, Finance Director

SUBJECT: TRANSMITTAL MEMORANDUM FOR COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2017-18

REPORT PURPOSE AND ORGANIZATION

We are pleased to submit the City of San Luis Obispo's 2017-18 Comprehensive Annual Financial Report (CAFR). Section 810 of the City's Charter requires that an audit of the City financial records be conducted each year by an independent certified public accountant. Such an audit has been performed and this report is being published as part of the requirement for the fiscal year ended June 30, 2018.

City management assumes full responsibility for the completeness and reliability of the information contained in this report. We attest that, to the best of our knowledge, the data presented is accurate in all material respects and all statements and disclosures needed for the reader to obtain a thorough understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient and reliable information for the preparation of the City's financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Audited Financial Statements

The City's financial statements have been audited by Glenn Burdette, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the overall accounting principles used and significant estimates¹ made by management; and evaluating the overall financial statement presentation.

¹ Significant estimates included in the financial statements are made in conformity with GAAP.

TRANSMITTAL MEMORANDUM

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion² that the City's financial statements for the fiscal year ended June 30, 2018, are presented fairly and in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

"Single Audit" for Federal Grant Programs. The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls³ and compliance with legal requirements, with special emphasis on the administration of Federal awards (such as Transit funding). This separately prepared report is available from the Department of Finance upon request. This audit has been completed and will be filed and distributed to appropriate agencies to meet Federal requirements. Additionally, these reports will be presented to the City Council concurrent with the CAFR.

Organization of Report

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical.

The **Introductory** section includes this transmittal memorandum and other information to familiarize the reader with the City, including a directory of officials and advisory bodies, the City's mission statement and organizational values, and charts.

The **Financial** section consists of five parts: 1) the independent auditors' report; 2) Management's Discussion and Analysis; 3) the basic financial statements including the government-wide financial statements, fund financial statements, and notes to the financial statements; 4) required supplementary information; and 5) additional supplementary statements and schedules including the local half-percent sales tax, non-major governmental funds, and agency funds.

The **Statistical** section includes selected unaudited financial and demographic information generally presented on a multi-year basis. This information includes financial trends, revenue capacity, debt capacity, demographics, and economic and operating information.

As required by GAAP, these financial statements present the City (the primary government) and its component units (entities for which the government is financially accountable). Blended component units (although legally separate entities) are in substance part of the government's operations, and so data from these units are combined with data of the primary government. The City has one component unit, the San Luis Obispo Capital

² An unqualified opinion means that without any reservations, the auditor feels the financial statements were prepared appropriately following all applicable accounting rules and the financial reports are an accurate representation of the City's financial condition.

³ Internal controls are systematic measures instituted by an organization to conduct its business in an orderly and efficient manner; safeguard its assets and resources; deter and detect errors, fraud, and theft; ensure accuracy and completeness of its accounting data; produce reliable and timely financial and management information; and ensure adherence to its policies and plans.

TRANSMITTAL MEMORANDUM

Improvement Board, which provides financing for the construction and acquisition of City facilities. The Board is comprised solely of members of the City Council. Activities of the Board are accounted for in the applicable City governmental or enterprise funds.

PROFILE OF THE CITY OF SAN LUIS OBISPO

With a population of 46,548, the City is located eight miles from the Pacific Ocean and is midway between San Francisco and Los Angeles at the junction of Highway 101 and scenic Highway 1.

The City serves as the commercial, governmental, and cultural hub of California's Central Coast. San Luis Obispo is the seat of San Luis Obispo County and a number of Federal and State regional offices and facilities are located within the City, along with California Polytechnic State University and Cuesta College.

One of California's oldest communities, the City began with the founding of Mission San Luis Obispo de Tolosa in 1772 by Father Junipero Serra as the fifth mission in the California chain of 21 missions. It was first incorporated in 1856 as a General Law City and became a Charter City in 1876. As a Charter City, San Luis Obispo has more local authority than cities that incorporate under the general laws of the State of California. The Charter is the City's governing document and any changes must be approved by the voters. The City's Charter has been amended several times since its adoption, most recently in August 2011.

Form of Government

As set forth in the City Charter, the City operates under the "Council-Mayor-City Manager" form of government. The City Council has the authority to make and enforce all laws and regulations with respect to municipal affairs, subject only to the limitations of the City Charter and the State Constitution. There are four Council members, who are elected at-large and serve overlapping four-year terms. The Mayor is also elected at-large for a two-year term and serves as an equal member of the Council. The City Council appoints the City Manager and City Attorney. All other department heads are appointed by the City Manager.

City Services

The City provides a wide range of municipal services, including police and fire protection, water and sewer utilities, street and parks maintenance, public transportation, parking, parks and recreation, planning, building and safety, and other general government services. Financial data for all funds through which services are provided by the City have been included in this report. Several municipal services are provided through other governmental agencies or private utility companies, including:

Service	Agency
Courts, Health and Social Services	County of San Luis Obispo
Elementary and Secondary Schools	San Luis Coastal Unified School District
Community College	San Luis Obispo County Community College District
Solid Waste Collection and Disposal	San Luis Garbage Company
Gas, Electric and Telephone	Private Utility Companies

Budgetary Policy and Control

Budgets are legally adopted annually by the City Council by resolution and are prepared for each fund in accordance with its basis of accounting. As provided under City Charter, the City Manager is responsible for

TRANSMITTAL MEMORANDUM

preparing the budget and for its implementation after adoption. Quarterly financial reports are posted on-line, and formal financial status updates are held with Council every six months (Mid-Year Review).

Since the City uses a two-year budget, operating appropriations not expended during the first year may be carried forward into the second year for specific purposes with the approval of the City Manager. (When applicable, these amounts are shown as assigned for subsequent year expenditures in the financial statements.) At the end of the final year of the two-year plan, operating appropriations lapse unless they are encumbered by contract or purchase order. Multi-year budgets are adopted for capital projects as necessary.

The City Council has the legal authority to amend the budget at any time during the fiscal year. The City Manager has the authority to make administrative adjustments to the appropriated budget if those changes will have neither a significant policy impact nor affect budgeted year-end fund balances. The City's budgetary policies are more fully described in Note 1 of the financial statements.

Expenditure and budgeting details are maintained by the City for each fund and department by program area at the line item level. Budgetary control is exercised through a computerized system, which interfaces with the City's general ledger. The system maintains an ongoing record of budget balances throughout the year based on actual expenditures and unfilled purchase orders. Open encumbrances at year-end are reported as committed fund balance.

It is the City's policy to maintain an unassigned fund balance in the General Fund of at least 20% of operating expenditures. This policy objective has been achieved for fiscal year 2017-18. The City maintains a similar policy for working capital balances in the water, sewer, and parking enterprise funds. The Fleet Replacement Fund reserve requirement is \$500,000 and the Information Technology (IT) Replacement Fund reserve requirement is \$400,000. The goal has been met for these funds in 2017-18.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economic Environment. Historically, the City has experienced a relatively stable economy, largely insulated from economic downturns in other parts of the State or the nation due to major State and federal employers such as the California Polytechnic State University (Cal Poly), California Men's Colony, California Department of Transportation (Cal Trans) District 5 offices, the Regional Water Control Board, and Camp San Luis.

Employment. Employment in the San Luis Obispo County region has historically been stabilized by a large government presence and diversity. As noted above, the State has a major university, correctional facility, and other regional offices located in the community. The County government and school districts are also major employers. Other major employers include two major hospital facilities, several engineering and software companies, and Pacific Gas and Electric. The recent announcement of the pending closure of the Diablo Canyon Nuclear Power Plant presents some uncertainties and adjustment for the region over the next couple of decades as the process takes place. However, the passage of SB1090 and the monetary allocation of \$1.82 million for economic development and other funds from the bill will assist in the transition.

TRANSMITTAL MEMORANDUM

As measured by the labor market, the local economic fared well in 2017-18. San Luis Obispo County continues to maintain solid employment levels and unemployment fell below national and state levels to a record low of 2.8%. For all of 2017, total nonfarm employment in San Luis Obispo County increased 1.3% and private sector payroll expanded 1.6% over the same period. The industry sectors leading the job gains in the region were Leisure and Hospitality and Education and Health, sectors associated with an expanding economy, and a growing population and subsequent spending base.

Key Revenue Sources. As the commercial, governmental, and cultural hub of San Luis Obispo County, the City is fortunate to attract a diverse array of strong revenue sources. The top three revenue sources for the City are Sales Tax, Property Tax, and Transient Occupancy Tax (TOT).

Long-Term Financial Planning.

The City engages in a number of activities focused on long-term financial planning, including:

Long-Term Fiscal Forecast. Before the two-year budget process begins, the City Council reviews long-term fiscal forecasts for the General Fund and the Enterprise Funds to help set the stage for long-term decision-making. The purpose of the forecast is to facilitate long-term fiscal health and to identify the funds' ability – on an order of magnitude basis – to maintain current services and existing assets and fund new initiatives. The 2018-23 forecast was completed in April 2018, before the City Council considered the 2018-19 Financial Plan Supplement for adoption. Due to CalPERS policy changes and rapidly increasing payment requirements to pay down pension unfunded liabilities, a ten-year forecast was developed as part of the City's Fiscal Sustainability and Responsibility Major City Goal. It is available on the City's web site at www.slocity.org. Further updates were prepared and presented to the City Council in April 2018 leading to the adoption of a three-year Fiscal Health Response Plan beginning in fiscal year 2018-19.

Major City Goals and Other Important Objectives. The City Council adopts Major City Goals and Other Important Objectives as an integral part of the Financial Plan. These goals address the highest priority needs and community-wide interests. The Financial Plan is the City's main tool for programming the implementation of these goals, plans, and policies by allocating the resources necessary to achieve them.

The following is a brief summary of the four major City goals and one other important objective adopted by the Council as part of the 2017-19 Financial Plan. Detailed work programs were prepared for each of them and their status is updated three times each year through presentation to the Council.

Major City Goals:

- **Housing.** Facilitate increased production of all housing types designed to be economically accessible to the area workforce and low and very low-income residents, through increased density and proximity to transportation corridors in alignment with the Climate Action Plan.
- **Multi-Modal Transportation.** Prioritize implementation of the Bicycle Master Plan, pedestrian safety, and the Short-Range Transit Plan.
- **Climate Action.** Implement a Climate Action Plan, assess requirements to achieve a “net-zero carbon City” target, and implement cost-effective measures, including implementation of a Sustainability Coordinator and formation of a Green Team.

TRANSMITTAL MEMORANDUM

- **Fiscal Sustainability & Responsibility.** Continue to implement the City’s Fiscal Responsibility Philosophy with a focus on economic development and responsiveness, unfunded liabilities, and infrastructure financing.

Other Important Objective:

- **Downtown Vitality.** Continue to improve safety, infrastructure investment, and maintenance in Downtown and support the Downtown Association’s proposal to consider a Downtown improvement district.

FINANCIAL CONDITION OVERVIEW

Financial results, both for revenue and expenditures, for the fiscal year were higher when compared to the budget estimates in virtually all the areas of the City’s operations.

The total General Fund balance increased by 3 million to \$29.6 million. Of this amount, \$3.5 million are non-expendable and represent prepaid items; \$159,724 are restricted for Debt service; \$8.7 million is committed for General government programs including Measure G carryover; \$10.9 million are assigned and include \$10.2 million for the required operating reserve (Contingency Fund), \$596,796 for Development Services, and \$100,000 for City Attorney related operations. Finally, \$6.3 million is classified as unassigned at 2017-18 fiscal year-end. Per City Council direction, and in conjunction with adopted Council policies, staff will provide a recommendation for the use of any available fund balance for one-time allocations with the 2018-19 Mid-Year report. However, through the City’s adopted fiscal health response plan, the Council has given direction to aggressively pay down CalPERS unfunded liabilities with available one-time funding.

General Fund - Fund Balance June 30, 2018	
Nonspendable	\$ 3,520,473
Restricted for:	
Debt service	159,724
Committed to:	
General government programs	8,693,113
Assigned to:	
Contingency fund (20% Minimum reserve)	10,171,464
Development services	596,796
City Attorney	100,000
Unassigned	6,334,870
Total fund balance	<u>\$ 29,576,440</u>

For the Future: Continue to Focus on Sustainability and Long-term Fiscal Health. As part of the fiscal health response plan, the City Council will consider the formation of a Section 115 Pension Trust fund to further safeguard the City from changes by CalPERS related to unfunded liabilities and possible fluctuations in the economy and income streams to the City.

TRANSMITTAL MEMORANDUM

Revenue Base Growth. Since the Great Recession, the country has experienced an unprecedented long-term expansion that continued in 2017-18. Sales tax (including the Half Percent Sales Tax Measure), Property Tax and Transient Occupancy Tax (TOT) account for 50% of all funding sources in the General Fund. All of these revenues are showing continuing growth over the past several years. This growth is expected to continue into 2019, but signs of a possible recession warrant close tracking of economic indicators and actual vs. budgeted revenue. This is also true for another revenue source that is seeing significant growth, development review fees. A cooling of the real estate market could impact development services revenue growth and have a corollary effect on development impact fee revenues forecasted to help construct infrastructure.

Containment of Operating Costs. The City's efforts to control costs have been successful and are ongoing. The City implemented 2nd and 3rd tier retirement benefit programs and now 40% of the workforce is enrolled in those tiers of the retirement plans. These actions have been instrumental in helping the City contain current costs and long-term liabilities related to retirement benefit programs. The City's adopted Fiscal Health Response plan and the direction to pay down the unfunded liability as much as possible, will assist in managing the liability over the long run.

Infrastructure and Facilities Maintenance. The estimated cost of adequately maintaining, repairing, or replacing existing General Fund facilities, infrastructure and equipment exceeds \$10 million annually. This excludes any enhancements or "betterments." As part of the Fiscal Sustainability and Responsibility Major City Goal, the City has established a ten-year Capital Improvement Program projection and the Council received information regarding funding options in early 2018. Capital Improvement Program allocations for the fiscal year were fully funded by the voter approved Local Revenue Measure half-cent sales tax. Approximately 70% of the Local Revenue Measure sales tax is committed to the Capital Improvement Program.

Ongoing Commitment to Half Percent Sales Tax Measure Priorities (Essential Services Measure). The City remains committed to the priorities for the use of the half percent sales tax measure as identified by the community. They include public safety, senior services, code enforcement, neighborhood street paving, open space preservation, traffic congestion relief and flood protection. The following table summarizes how the half percent sales tax measure funds were used during fiscal year 2017-18.

Total expenditures during 2017-18 amounted to \$13.5 million (including encumbrances and carryovers); the remaining balances of these resources are designated for future year expenditures. A more detailed schedule of half percent sales tax measure sources and uses is provided in the Financial Section of this report.

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Half Percent Sales Tax Measure Expenditures 2017/18	Operating Programs	Capital Projects*	Total
Preservation of Essential Services			
<i>Public Safety</i>	\$ 892,388	\$ 490,828	\$ 1,383,216
<i>Community Development</i>	252,729		252,729
<i>Transportation</i>	1,202,100	3,438,877	4,640,977
<i>Leisure, Cultural and Social Services</i>	130,818	424,891	555,709
<i>General Government</i>		432,386	432,386
Total	\$ 2,478,035	\$ 4,786,982	\$ 7,265,017
Half Percent Sale Tax Measure Revenues & Uses Summary			
Revenues:			
Sales and use tax - Measure G 1/2 Cent add-on tax			\$ 7,504,485
Use of money and property			56,409
	Total Revenues		<u>7,560,894</u>
Uses:			
Operating Programs			(2,478,035)
Capital Projects			(4,786,982)
Transfers			<u>(130,000)</u>
	Total Uses		<u>(7,395,017)</u>
Excess of revenues over expenditures			165,877
Prior Sales Tax Measure Balance			5,901,482
Encumbered or designated for carryover for future year expenditures			<u>(6,284,108)</u>
Net available for future year appropriations			\$ (216,749)

* Detail of Capital Projects is included with other supplementary information in the financial statements, which can be found on page 110.

RELEVANT FINANCIAL POLICIES

The City of San Luis Obispo has adopted a comprehensive set of financial policies to provide guidance for all fiscal activities and resource allocations. Although the policies cover virtually every aspect of financial management, several of these policies are particularly relevant to the understanding of the City's financial performance in 2017-18.

Debt Administration Policies

The City's Capital Financing and Debt Management policies contain general guidelines for refinancing of outstanding debt. These guidelines call for periodic review of all outstanding debt to determine refinancing opportunities, particularly to create economic benefit such as lower debt service payment or reduction of principal.

Information on the City's outstanding debt issues and other long-term liabilities is provided in Note 6 in the notes to the financial statements.

TRANSMITTAL MEMORANDUM

In May 2018, the City received affirmation from the nationally recognized statistical rating organization *Fitch Ratings* that City bond ratings remain “AA” and “AA+”, and the rating outlook is stable. *Fitch Ratings*’ long-term credit ratings are assigned on an alphabetic scale from AAA to D. The bond rating AA means that the City’s investment grade is “quality”. The City’s 2018 Lease Revenue Bonds are rated AA, and the City’s implied General Obligation bond rating is AA+. Currently, the City of San Luis Obispo has no general obligation debt.

In reaching its decision, *Fitch Ratings*’ analysts lauded the City’s “excellent financial management.” The analysis noted factors that led to their conclusion including (1) active budget monitoring by the City Council and staff, (2) comprehensive financial policies, and (3) the use of long-term budget planning to provide a solid framework for managing financial resources through unexpected budgetary challenges during the economic downturn. *Fitch* analysts noted that the City has robust fiscal management and recovered quickly from the Great Recession.

Budgetary Policies

The City of San Luis Obispo has a policy that requires the adoption of a balanced budget over the two-year period of the Financial Plan. This means that operating revenues must fully cover operating expenditures, including debt service. Additionally, ending fund balance (or working capital in the enterprise funds) must meet minimum policy levels. Under this policy it is allowable for total expenditures to exceed revenues in a given year but only when fund balance is used to pay for capital improvement plan projects or other “one-time,” non-recurring expenditures.

Fund Balance and Reserve Policies

The City’s policies recognize the importance of long-range planning in managing the City’s fiscal affairs in order to provide for stable operations, promote more orderly spending patterns, and assure the City’s long-term fiscal health. The reserves contained in the General Fund and Enterprise Funds play a pivotal role in this strategy. The reserve policies call for a minimum fund balance of at least 20% of operating expenditures in the General Fund and a working capital level of 20% of operating expenses in the Water, Sewer, and Parking Enterprise Funds. The policies also require the Fleet Management and the Information Technology Replacement Funds to provide for the timely replacement of vehicles and equipment as well as IT equipment and software.

Long-Term Liabilities and Maintenance of Infrastructure

In 2015, the City Council adopted a guidance to apply one-time funds above policy reserve to unfunded liabilities and infrastructure. This policy addresses long-term costs and prioritizes allocation of funds to reduce the liability. With the 2017-19 Financial Plan, the guidance was incorporated into the City’s fiscal policies. Additionally, the City began addressing the long-term needs of its capital assets and categorizing asset maintenance, asset replacement, and new assets driven by new development. The City Council received a first presentation of the long-term need of its infrastructure in early 2018 and will continue the discussion in February 2019.

Pension and Other Post-Employment Benefits

Pension Obligations. The City contributes to the California Public Employees’ Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provision and all other requirements are established by State statute and City ordinance. The amount of the City’s required annual contribution is determined actuarially and is reported to the City via the Annual Valuation Reports provided by CalPERS for each retirement plan.

TRANSMITTAL MEMORANDUM

Starting with fiscal year 2015-16, public agencies are billed a contribution rate as a percentage of payroll plus a lump sum payment toward the City's unfunded liability. It is the policy of the City to fully fund the annual contribution to ensure that the plan will fully meet its obligation to retired employees on a timely basis. As part of its long-term cost reduction strategy, the City has implemented a 2nd Tier and the state mandated 3rd Tier retirement benefit programs for new hires while also requiring all employees to pay at least the full amount of the member share of the annual retirement contribution. The Fiscal Health Response plan, adopted by the City Council in April 2018, considered further contributions from employees toward the pension liability. Negotiations are ongoing with several units having agreed to further contribution increases beginning in 2019-20.

Prepaying the City's unfunded liability should reduce overall annual costs depending on whether approved actuarial assumptions are realized and are not adjusted by the CalPERS' Board.

While the implementation of 2nd and 3rd Tiers will help to lessen pension impacts to the City's budget, the City continues to monitor legal developments and legislation that could positively or negatively impact the City's finances.

Other Post-Employment Benefits (OPEB). The City's primary OPEB cost obligation is for retiree health benefits under its election to participate in the CalPERS Health Benefit Program under the "unequal contribution option."

When the City joined the CalPERS health plan in 1993, it immediately experienced an increase in the plan choices available along with a significant reduction in rates. Due to CalPERS purchasing power, the City continues to experience competitive health care rates. However, as a condition of joining the CalPERS health program, the City agreed to contribute the minimum monthly amount required by law towards retiree health care coverage for both active and retired employees. This allows retired employees to purchase health insurance at the same rate offered to active employees.

Additionally, the City has established certain post-retirement health care benefits available to executive management employees appointed prior to August 2000. For the five former employees, one-half of the retiree health insurance premiums are paid by the City if they elect to remain members of the City's group health plan. This provision ceases upon the death of the retired employee or upon the retired employee reaching age 65.

These OPEB benefits were financed on a pay-as-you-go basis in the past. As directed by Council in May 2008, the City began fully pre-funding the OPEB obligation via an irrevocable trust in 2008-09.

Additional information on the City's retirement and post-employment benefits can be found in Note 7 and Note 8 in the notes to the financial statements.

MAJOR INITIATIVES

The City continued its efforts on a number of significant initiatives in 2017-18 which had a beneficial effect on fiscal health and quality of life.

TRANSMITTAL MEMORANDUM

Fiscal Sustainability and Responsibility

The organization continued its focus on Fiscal Sustainability and Responsibility throughout the 2017-18 fiscal year to sustain the City's short and long-term fiscal health, preserve public health and safety in line with residents' priorities and with a focus on the reduction of unfunded liabilities.

With the 2017-19 Financial Plan, the Council adopted a Fiscal Sustainability and Responsibility Major City Goal with a focus on economic development and responsiveness, a structurally balanced fiscal outlook, the reduction of unfunded liabilities, and an emphasis on infrastructure financing.

Local Sales Tax Measure.

The local half-percent sales tax revenue was approved by City voters with 70% of the vote in November 2014. As part of the local sales tax measure, the Revenue Enhancement Oversight Committee (REOC) was established to review, report, and make recommendations to the City Council regarding the revenue and expenditures of the City's voter-approved general purpose, half-percent sales tax. The REOC consists of five members who must be residents and registered voters of the City. Voter authority for this local sales tax measure expires in March 2023 and will require both Council and voter action to be valid after this date.

Economic Development Strategic Plan.

The City's 2012 Economic Development Strategic Plan (EDSP) provides a prioritized list of strategic actions aimed at overcoming barriers to job creation and nurturing the conditions, relationships, and resources that enable and encourage the private sector to create head of household jobs on a consistent basis while continuing to support the broader economy of the City. To create and implement these efforts, the EDSP identified the City's fee program and the lack of infrastructure in key areas as barriers to overcome and is in the process of implementing strategies to improve the economic environment for job creation in the City. The EDSP builds on the San Luis Obispo County Economic Strategy, which identified five industry clusters with the greatest potential to drive local and regional economic prosperity, and job creation. The EDSP focuses on partnerships and collaborative efforts with community partners including the Economic Vitality Corporation, the Chamber of Commerce, the Small Business Development Center, California Polytechnic State University, and Cuesta College.

The planned closure of Diablo Canyon Nuclear Power Plant will nurture a study of the economic and fiscal impacts on the region and the City, an updated Economic Development Strategic Plan with identified strategies to address impacts of the closure, and a comprehensive plan of how to invest closure settlement funds to be received under SB1090, and informed by SB 968, in economic development activities.

On November 6, 2018, the City's voters approved a cannabis tax for the retail and production of cannabis related products. The City will begin receiving applications for these establishments in January 2019, with the first ones to open by May 2019. The City estimates new revenue through this measure amounting to \$1.5 million annually when the cannabis industry is fully established. The full \$1.5 million is not estimated to be realized until the 2019-20 fiscal year.

Downtown Development Projects

The Downtown Vitality Other Important Objective sets initiatives to be completed during the 2017-19 Financial Plan to 1) maintain and improve Downtown infrastructure, 2) maintain and improve public safety in Downtown, 3) develop a implementation plan for adopted Downtown Concept and Mission Plaza Master Plans, and 4) develop a policy framework to ensure the continued vitality and success of Downtown which includes consideration of the Downtown Improvement District. On June 20, 2017, \$75,000 was allocated to a feasibility

TRANSMITTAL MEMORANDUM

study to support the Downtown Maintenance District with the 2017-19 Financial Plan. Downtown SLO, a key economic development partner, continues to work with downtown merchants and property owners on both funding and service options and the City Council will likely receive a recommendation in Spring 2019.

AWARD FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2017.

The Award Program.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of State and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement each year since 1984. We believe our current CAFR continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Value of Program Participation. There are benefits to participating in these programs beyond simply receiving recognition for our efforts. For example, by striving to meet program standards and goals, the City produces better reports. Additionally, as part of the review process, comments for improvement from other municipal finance professionals who review our reports from a “fresh” perspective are received. We believe that this results in continuous improvements in reporting our financial results to elected officials, staff, and other interested parties such as bondholders, credit agencies, and the public at-large.

TRANSMITTAL MEMORANDUM

ACKNOWLEDGMENTS

The preparation and development of this report would not have been possible without the year-round dedication of the Finance Division staff and their special efforts, working in conjunction with the City's independent auditors, to produce this document.

We would like to take this opportunity to compliment all those staff members within the Finance Department as well as in the other departments and our independent auditors who were associated with the preparation of this report. We would also like to thank the City Council for the continued support and dedication in planning and conducting the financial operations of the City in a fiscally responsible and progressive manner.



Derek Johnson, City Manager



Brigitte Elke, Finance Director

DIRECTORY OF OFFICIALS AND ADVISORY BODIES

CITY COUNCIL

Heidi Harmon	Mayor
Carlyn Christianson	Vice Mayor
Dan Rivoire	Council Member
Aaron Gomez	Council Member
Andy Pease	Council Member

ADVISORY BODIES

Active Transportation Committee
Administrative Review Board
Architectural Review Commission
Construction Board of Appeals
Council Compensation Committee
Cultural Heritage Committee
Housing Authority
Human Relations Commission
Investment Oversight Committee
Jack House Committee
Mass Transportation Committee
Parks and Recreation Commission
Personnel Board
Planning Commission
Promotional Coordinating Committee
Revenue Enhancement Oversight Commission
Tourism Business Improvement District Board
Tree Committee

APPOINTED OFFICIALS AND DEPARTMENT HEADS

Appointed Officials

Derek Johnson	City Manager
J. Christine Dietrick	City Attorney

Department Heads

Greg Hermann	Acting Assistant City Manager
Michael Codron	Director of Community Development
Brigitte Elke	Director of Finance
Garret Olson	Fire Chief
Monica Irons	Director of Human Resources
Deanna Cantrell	Police Chief
Daryl Grigsby	Director of Public Works
Carrie Mattingly	Director of Utilities
Shelly Stanwyck	Director of Parks & Recreation

MISSION STATEMENT

SAN LUIS OBISPO STYLE

Quality with Vision

WHO ARE WE?

People Serving People

- A team that puts high value on each citizen it serves.
- Providers of programs that meet basic service needs of each citizen.
- Enhancers of the quality of life for the community as a whole.

WHAT DO WE STAND FOR?

Quality in all Endeavors – Pride in Results

- Service to the community – the best – at all times.
- Respect – for each other and for those we serve.
- Value – ensuring delivery of service with value for cost.
- Community involvement – the opportunity to participate in attaining the goals of the City.

WHERE ARE WE GOING?

Into the Future with a Design

- Planning and managing for levels of service consistent with the needs of the citizens.
- Offering skills development and organizational direction for employees in order to improve the delivery of municipal services.
- Developing sources of funding and establishing a sound financial management program which will result in fiscal independence and flexibility in the delivery of City services.
- Providing the residents of the City with accurate and timely information on issues which affect them, and encouraging the full utilization of City services.
- Promoting the City as a regional trade, recreational and tourist center and improving the quality of life for residents and visitor.

ORGANIZATIONAL VALUES

We, as an organization, embrace opportunities to improve our services and the quality and effectiveness of our relationships with the community and our teams. The following values guide and inspire our efforts.

Shared Vision, Mission and Goals

We have a sense of common purpose and direction pursued with passion and translated into concrete actions.

Service

We are dedicated to the best use of resources to fulfill identified community goals and needs.

Leadership and Support

We recognize that the ability to lead can be found at all levels and that to create an environment to succeed requires leading by example.

Communication

We foster open and clear discussion that encourages the willingness to speak up and to listen, within a framework of respect and understanding.

Team Players

We encourage effective working relationships within and between departments and the public to address issues and achieve valuable results.

Honesty, Respect and Trust

We honor commitments, acknowledge legitimate differences of opinion and accept decisions reached with integrity.

Initiative and Accountability

We take personal responsibility to do what needs to be done and report the results in a straightforward manner.

Innovation and Flexibility

We are open to change and willing to try new ways to fulfill the organization's vision, mission, and goals more effectively.

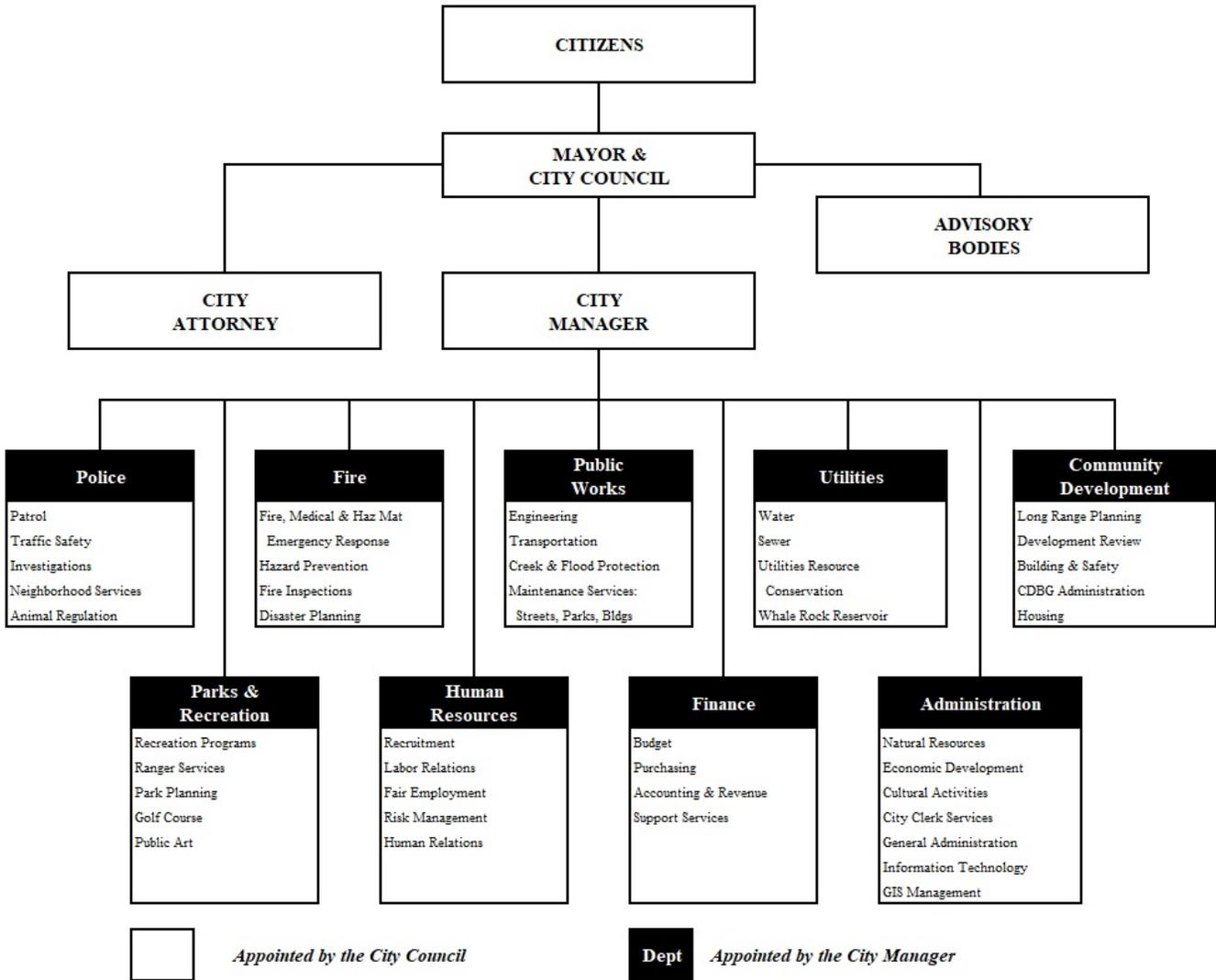
Employee Development and Recognition

We encourage and support each employee to improve relevant job skills and celebrate personal and team accomplishments.

Stewardship and Ethics

We promote public trust by using City resources wisely, and through consistent fulfillment of these values.

ORGANIZATION OF THE CITY OF SAN LUIS OBISPO





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of San Luis Obispo
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION



Independent Auditors' Report

The Honorable City Council of the
City of San Luis Obispo, California
San Luis Obispo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Luis Obispo, California, (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Luis Obispo, California, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 17 to the financial statements, during 2018 the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Requirement Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, Half Percent Sales Tax Measure funding summary schedules on pages 110 through 112, combining and individual nonmajor fund financial statements and schedules on pages 113 through 134, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Half Percent Sales Tax Measure funding summary schedule and combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Half Percent Sales Tax Measure funding summary schedule and combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

GLENN BURDETTE ATTEST CORPORATION

Glenn Burdette Attest Corporation
San Luis Obispo, California

December 21, 2018

Management's Discussion and Analysis

Overview of the Financial Statements

The discussion and incorporated analysis in this document are intended to serve as an introduction to the City's basic financial statements, which include the following components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to financial statements. This report also contains required supplementary information (RSI) as well as other supplemental financial information.

Government-wide Financial Statements. This set of statements is designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business reporting.

The *Statement of Net Position* presents financial information on all the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net financial position may serve as a useful indicator of whether the financial position of the City is improving or declining. Due to the implementation of GASB 68 and 75, the Statement of Net Position reported for fiscal year 2017-18 considers the City's long-term pension and other post-employment benefits liabilities, effectively decreasing the City's net financial position.

The *Statement of Activities* presents changes in the government's net position during the most recent fiscal year. All changes in net position are reported during the period when the underlying events giving rise to the change occur, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as revenue pertaining to uncollected taxes.

The City's government-wide financial statements distinguish the functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their cost through user fees or that are required by grantor agencies or City policies to be accounted for in this fashion (*business-type activities*).

The governmental activities include: (1) public safety, (2) transportation, (3) leisure, cultural and social services, (4) community development and (5) general government support services such as legal services, elections, human resources, risk management, finance, and information technology. The business-type activities of the City include: (1) water, (2) sewer, (3) parking operations and the (4) transit program.

As required by U.S. Generally Accepted Accounting Principles (GAAP), these financial statements present the City (the primary government) and its component units (entities for which the government is considered to be financially accountable). Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government.

The San Luis Obispo Capital Improvement Board (Board) is reported as a blended component unit in these statements. The Board provides financing for the construction and acquisition of City facilities. The Board consists of members of the City Council. Activities of the Board are accounted for in the applicable City governmental or enterprise funds. Separate financial statements are not prepared for the San Luis Obispo Capital Improvement Board. The City has no component units that require discrete presentation in accordance with Governmental Accounting Standards Board (GASB) standards.

Management's Discussion and Analysis

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: (1) governmental funds, (2) proprietary funds, and (3) fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information reflects financial resources available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their purpose (general, special revenue, debt services, and capital projects). Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. The General Fund is considered a major fund. Data from the major governmental funds are combined into one aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the supplementary information section in this report.

Of the major funds, the City adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with the budget. Budgetary information for non-major governmental funds with annual budgets has been provided with the fund financial statements in the supplementary information section in this report.

Proprietary Funds. Proprietary funds are generally used to account for services for which the City charges customers; either outside customers or internal units/divisions of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail.

The only type of proprietary fund the City maintains is enterprise funds. The Water, Sewer, Parking, and Transit Funds are presented as business-type activities in the government-wide financial statements. The City considers all four of its enterprise funds to be major funds.

Fiduciary Funds. Agency funds are the only type of fiduciary funds maintained by the City. These are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. An example of an agency fund may include donations provided to the City to be utilized for specific purposes as well as other funds held in trust of another entity to be utilized for a specific purpose. A specific example is the Hazardous Materials Task Force Fund, created to provide special fire services around the County, which is funded by multiple county and city agencies.

Management's Discussion and Analysis

The accounting used for fiduciary funds is much like that used for proprietary funds. The Agency Funds are presented with the fund financial statements in the supplementary information section.

Notes to the Financial Statements. The notes provide additional information that is essential to the reader for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information including budgetary comparison schedules, reporting of the half-percent sales tax measure, and more detailed information concerning the City's net pension liability, schedule of contributions to the pension plan and progress in funding its obligation to provide other post-employment benefits (OPEB).

Statistical Information. The statistical section presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information indicates about the City's overall financial health.

Financial Highlights

The following information provides a narrative overview and analysis of the financial activities of the City of San Luis Obispo (City) for the fiscal year that ended June 30, 2018. It should be read in conjunction with the accompanying transmittal memorandum and the basic financial statements.

In 2017-18 fiscal year, the City continued to experience slow but steady economic growth. Actual revenues received were slightly higher than budgeted and the City's expenditures came in below appropriated budget amounts.

Following CalPERS' announcement regarding policy changes lowering the expected rate of return from 7.5% to 7.0%, the City adopted a Fiscal Health Response Plan (FHRP) on April 17, 2018. The three-year plan, spanning fiscal years 2019 through 2021, is designed to align the City's budget with a long-term fiscal outlook to address an increasing payment of the unfunded liabilities over the 30-year schedule that started in 2015.

Pursuant to GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 (GASB 75), *Accounting And Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, the City reports on the unfunded pension and OPEB liabilities on the full accrual basis of accounting in the government-wide financial statements. Also included are note disclosures and supplementary schedules as required by GASB 68 and GASB 75. The measurement date for fiscal year 2017-18 pension and OPEB liabilities is as of the fiscal year ended June 30, 2017. This date reflects a one-year lag and was used so that these financial statements could be issued in an expedient manner. Activity (i.e. contributions made by the City) occurring during fiscal year 2017-18 are reported as deferred outflows of resources in accordance with GASB Statement No. 71.

The following outlines financial highlights for the year, which are detailed in the table on page 8 – Statement of Net Position - of the Management Discussion and Analysis.

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at June 30, 2018 by \$311 million (net position). The City's unrestricted net position was negatively impacted beginning in fiscal year 2014-15 with the implementation of GASB 68 that requires the disclosure and inclusion of the City's unfunded pension liability in the statement of net position. More detailed information on the City's pension plans

Management's Discussion and Analysis

and obligations can be found in Note 7 on pages 64-75 of this report. Note 8, on pages 76-81 of this report, provides detailed information on the City's OPEB liabilities under GASB 75 which influenced the 2017-18 net position due to required restatements of \$7.3 million.

- Per the City's Statement of Net Position, total City-wide assets increased by approximately \$6.9 million or 1.3%. In governmental activities, amounts receivable from various sources increased by 1.3 million; cash and investment balances increased by \$1.3 million; prepaid expenses increased by \$347,000 and cash held with fiscal agent decreased by \$1.8 million.
- In business-type activities which include Water, Sewer, Parking and Transit, accounts receivable increased minimally by \$65,000 while cash and investment balances increased by \$1.1 million. Prepaid items increased by \$150,000 and cash held with fiscal agent and investments in joint ventures decreased by \$718,000.
- City-wide liabilities increased by approximately \$16.2 million during the fiscal year. This increase is due to the long-term or non-current liabilities which include net pension and other post-employment benefits liabilities as required under GASB 68 and 75. The governmental activities accounted for \$14.1 million of the increase while business-type activities experienced a \$2.1 million increase in long-term liabilities.
- The City's governmental funds altogether reported combined ending fund balances of \$53.5 million. Approximately \$29.5 million or 55% of this total amount is not available for new spending as it is either restricted for (1) debt service, (2) grant obligations, (3) prepaid insurance obligations, or (4) committed to specific programs like impact fee programs and general capital outlay. Another \$17.6 million is assigned as of June 30, 2018 to meet expenditures in subsequent years in the form of purchase orders, encumbrances, and unspent appropriations that have been rolled over into fiscal year 2018-19 in accordance with the City's budget policies. Per the City's policy, \$11.1 million of the fund balance is assigned to the governmental funds' 20% operating reserve.
- The total General Fund balance increased by \$3 million to \$29.6 million. After the adjustments to reflect amounts non-spendable, restricted, or committed to general government programs (\$12.4 million), designated reserves including the 20% operating reserve, (\$10.9 million), \$6.3 million remain as unassigned balance at June 30, 2018. However, through the City's adopted fiscal health response plan, the City Council has given direction to aggressively pay down CalPERS unfunded liabilities with available one-time funding.

Management's Discussion and Analysis

Government-wide Overall Financial Analysis

Statement of Net Position. Net position may serve over time as useful indicator of a government's financial position.

The following is the condensed statement of net position for the fiscal years ended June 30, 2018 and 2017

CONDENSED STATEMENT OF NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Current and other assets	\$ 59,246,957	\$ 58,815,853	\$ 80,111,101	\$ 78,654,702	\$ 139,358,058	\$ 137,470,555
Capital assets	196,556,470	193,327,618	180,901,769	179,138,958	377,458,239	372,466,576
Total assets	255,803,427	252,143,471	261,012,870	257,793,660	516,816,297	509,937,131
Total Deferred Outflows of Resources	32,103,779	27,295,048	5,091,026	3,883,179	37,194,805	31,178,227
Current liabilities	8,794,714	9,131,747	6,945,644	6,432,263	15,740,358	15,564,010
Noncurrent liabilities	154,947,663	140,534,317	69,870,322	68,286,279	224,817,985	208,820,596
Total liabilities	163,742,377	149,666,064	76,815,966	74,718,542	240,558,343	224,384,606
Total Deferred Inflows of Resources	2,180,281	3,917,831	168,586	817,798	2,348,867	4,735,629
Net position:						
Net investment in capital assets	171,472,251	165,100,426	136,694,402	131,149,516	308,166,653	296,249,942
Restricted	421,954	2,268,499	1,558,795	2,276,526	1,980,749	4,545,025
Unrestricted	(49,909,657)	(41,514,301)	50,866,147	52,714,457	956,490	11,200,156
Total Net Position	\$ 121,984,548	\$ 125,854,624	\$ 189,119,344	\$ 186,140,499	\$ 311,103,892	\$ 311,995,123

For the City, total assets and deferred outflows of resources were greater than liabilities and deferred inflows of resources by \$311 million at June 30, 2018. The largest portion of the City's net position reflects its investment in capital assets in the amount of \$308 million (e.g. land, buildings infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Management's Discussion and Analysis

Information about changes in net position for fiscal years 2017-18 and 2016-17 is summarized below. Reasons for the changes are discussed in the following sections for governmental activities and business-type activities.

SUMMARY OF CHANGES IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Revenues:						
Program Revenues:						
Charges for services*	\$ 15,506,511	\$ 15,742,237	\$ 44,885,394	\$ 41,786,730	\$ 60,391,905	\$ 57,528,967
Operating grants and contributions*	4,116,552	2,584,222	3,099,618	4,180,386	7,216,170	6,764,608
Capital grants and contributions	39,781	40,531			39,781	40,531
General Revenues:						
Sales taxes (Including 1/2 percent local Sales Tax)	24,559,570	24,068,665			24,559,570	24,068,665
Property taxes	11,425,510	10,756,477			11,425,510	10,756,477
Transient occupancy tax	7,514,289	7,381,989			7,514,289	7,381,989
Utility users tax	5,627,356	5,539,407			5,627,356	5,539,407
Property tax in lieu of VLF	4,637,253	4,353,912			4,637,253	4,353,912
Other taxes and fees	4,261,341	3,929,377			4,261,341	3,929,377
Investment earnings	164,434	260,169	320,471	182,261	484,905	442,430
Miscellaneous and other	745,253	737,826	209,300	206,700	954,553	944,526
Total revenues	78,597,850	75,394,812	48,514,783	46,356,077	127,112,633	121,750,889
Program expenses:						
Public safety	42,097,557	31,806,692			42,097,557	31,806,692
Public utilities			33,682,348	31,459,874	33,682,348	31,459,874
Transportation	9,229,042	9,668,840	8,453,943	7,868,364	17,682,985	17,537,204
Culture and recreation	11,125,792	9,824,262			11,125,792	9,824,262
Community development	13,457,993	14,656,604			13,457,993	14,656,604
General government	1,213,217	644,855				
Interest on long-term debt	1,488,183	1,170,984			1,488,183	1,170,984
Total expenses	78,611,784	67,772,237	42,136,291	39,328,238	119,534,858	106,455,620
Increase (decrease) in net position before transfers	(13,934)	7,622,575	6,378,492	7,027,839	6,364,558	14,650,414
Transfers	1,198,027	1,051,563	(1,198,027)	(1,051,563)	-	-
Change in net position	1,184,093	8,674,138	5,180,465	5,976,276	6,364,558	14,650,414
Net position - beginning of year	125,854,624	117,180,486	186,140,499	180,164,223	311,995,123	297,344,709
Prior year restatement	(5,054,169)		(2,201,620)		(7,255,789)	-
Net position - end of year	\$ 121,984,548	\$ 125,854,624	\$ 189,119,344	\$ 186,140,499	\$ 311,103,892	\$ 311,995,123

Governmental Activities. The City's net position in the Governmental activities decreased by \$3.8 million to \$122 million on June 30, 2018 due to a current year increase of \$1.2 million offset by a \$5 million prior year restatement of OPEB obligations necessitated by the implementation of GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* as of July 1, 2017. Overall, the City is continuing to see growth in its revenue base and realized savings in the General Fund above the level anticipated in the fiscal year 2017-18 appropriated budget. Part of this growth trend is the hospitality and tourism sector and a healthy real estate market. In 2017-18, private development remained strong and generated development related permit revenues, as well as development-related impact and in-lieu fees which are held until needed for planned capital outlay.

A portion of the City's net position, \$1.9 million, is subject to restrictions imposed by external parties and its use is determined by those restrictions and contractual obligations. This is the fourth year of the GASB 68 Statement implementation by the City requiring the disclosure of the City's long-term pension liability. Fiscal year 2017-18 is

Management’s Discussion and Analysis

also the first year of reporting requirements under GASB 75 which lead to the restatements indicated in the Changes of Net Position. Without the prior year restatement, the governmental activities contributed roughly \$1.2 million and business-type activities contributed roughly a \$5.2 million increase to the combined net position, but restatements totaling \$7.3 million decreased the combined net position by \$890,000 to \$311 million.

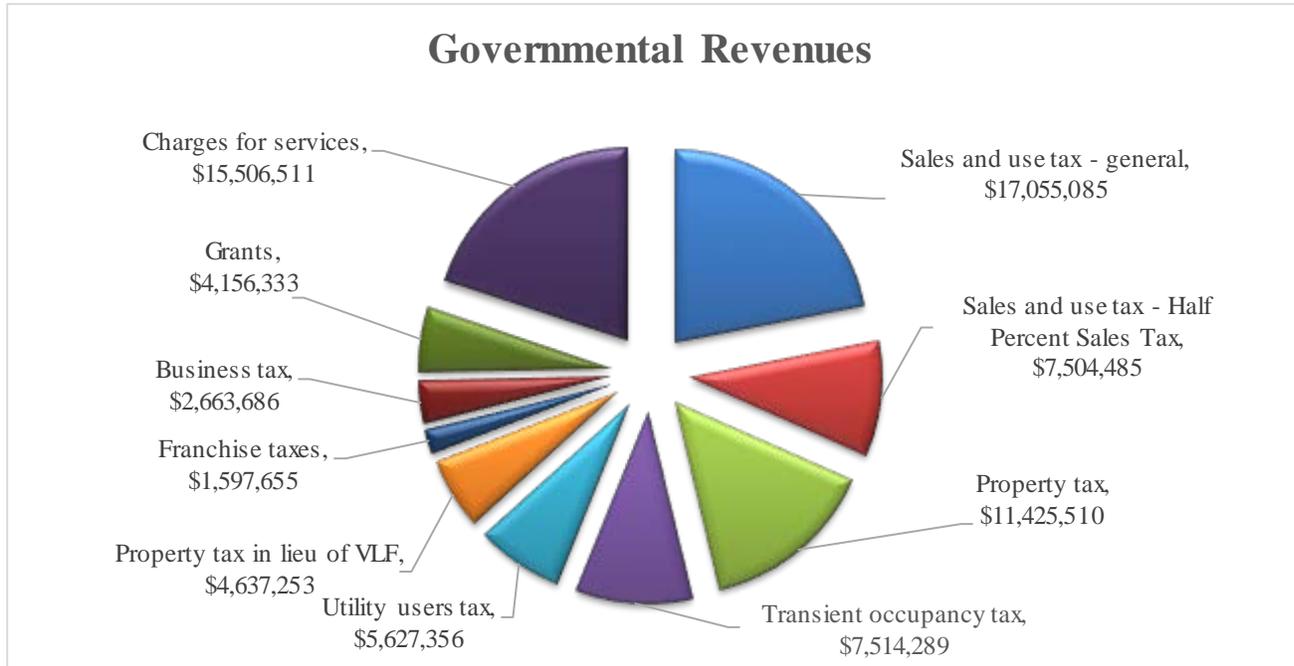
The total governmental revenue increased from fiscal year 2016-17 by \$3.2 million or 4%. Revenues are divided into charges for services, grants and contributions, and general revenues including applicable taxes as listed in the following table. Charges for services are revenues directly related to service activity and related investment earnings and are a mechanism of cost recovery.

General revenues represent 75% of the total revenue and are used to pay costs of providing program services.

GOVERNMENTAL ACTIVITY CHANGE IN REVENUE				
Revenues	2017-18	2016-17	Inc / (Dec)	%
Charges for services	\$ 15,506,511	\$ 15,742,237	\$ (235,726)	-1%
Operating grants and contributions	4,116,552	2,584,222	1,532,330	59%
Capital grants and contributions	39,781	40,531	(750)	-2%
General Revenues:				
Sales taxes (Including 1/2 percent local sales tax)	24,559,570	24,068,665	490,905	2%
Property taxes	11,425,510	10,756,477	669,033	6%
Transient occupancy tax	7,514,289	7,381,989	132,300	2%
Utility users tax	5,627,356	5,539,407	87,949	2%
Property tax in lieu of VLF	4,637,253	4,353,912	283,341	7%
Other taxes and fees	4,261,341	3,929,377	331,964	8%
Investment earnings	164,434	260,169	(95,735)	-37%
Miscellaneous and other	745,253	737,826	7,427	1%
Total governmental revenues	\$ 78,597,850	\$ 75,394,812	\$ 3,203,038	4%

Management's Discussion and Analysis

Top Governmental Activity Revenue Sources. As shown in the graph below, the City's top five tax revenues accounted for almost 65% of total revenues, with service charges accounting for another 20% and ancillary revenue making up the remainder. Generally, revenues for fiscal year 2017-18 increased from those of the prior fiscal year with Charges for Services being the exception.

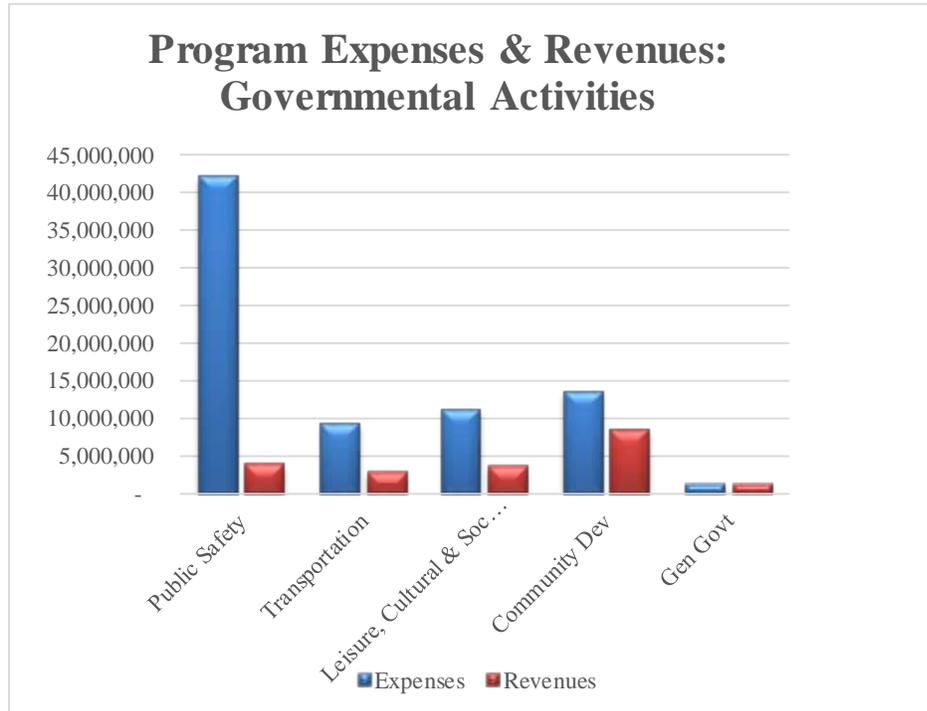


The following narrative addresses the significant variances in key revenues from the prior fiscal year:

- **Sales Tax.** Sales Tax increased by \$490,000 over the prior year; a modest increase and the City is tracking this major revenue source and the economic factors influencing it carefully.
- **Property Tax.** Property tax revenue including the portion in-lieu of VLF increased by \$952,000 indicating a healthy real estate market.
- **Transient Occupancy Tax (TOT).** Increased by \$132,000 largely due to flat occupancy rates and increased room rents.
- **Capital Grants and Contributions.** The City was able to secure grants and contributions amounting to \$4.1 million which is a 58% increase over the previous year.
- **Program Expenses: Governmental Activities.** Program expenses increased by \$10.8 million or 16.0% over the prior fiscal year. Public Safety and Culture and Recreation saw increases in expenses, while Transportation and Community Development decreased from the prior year.

Management's Discussion and Analysis

The following chart compares program revenues and expenses which is useful when reviewing the costs of government cost centers:



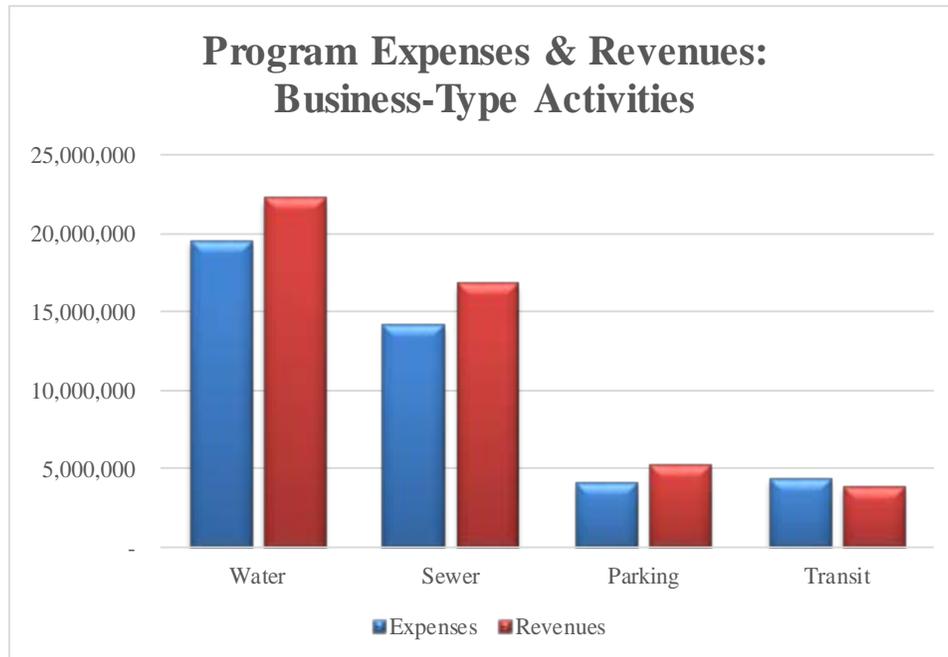
Business-Type Activities. The City's business-type activities increased \$3 million to \$189 million at June 30, 2018.

Revenue Sources: Business-Type Activities. Operating revenues for services increased by \$3.1 million largely due to growth in service charges in the Parking fund and increased rates in the Water and Sewer funds as follows:

1. **Water revenues.** Total operating revenues increased by \$2 million. General water impact fees increased by \$865,000 compared to the prior year as a result of an active development environment.
2. **Sewer revenues.** The overall revenue increased by \$545,000 over the prior year showing a stabilization based on increased use as rates had not been increased for 2017-18.
3. **Parking fees.** In fiscal year 2017-18 the Parking Fund also saw an increase in revenue of \$635,000 due to Council approved increases to parking rates.
4. **Transit revenues:** The revenue received in the Transit fund decreased by \$1 million in 2017-18. The variance is due to a \$1 million discretionary grant received in 2016-17 that was not available in the current fiscal year.

Management's Discussion and Analysis

Program Expenses: Business Type Activities. The program expenses for the proprietary funds increased by \$2.8 million, a 7% uptick over the prior fiscal year. The increase is largely based on increased operating cost for the Water and Sewer funds making up \$2.2 million of the overall increase in business activities. However, as the chart below illustrates, all funds, except Transit, generated revenues in excess of expenses.



Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following funds have been classified as either governmental or proprietary fund types.

Governmental Funds. The focus of the City's governmental funds is on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of approximately \$53.5 million, or an increase of \$1 million compared to the prior fiscal year. The total fund balance of the governmental funds consists of the following:
 - Non-spendable fund balance of \$3.4 million represents prepaid items largely pertaining to insurance related obligations.
 - Restricted fund balance of \$1.8 million which have restrictions imposed by external parties or enabling legislation. Funds in this category include Debt Services fund and Supplemental Law Enforcement Funds.

Management's Discussion and Analysis

- Committed fund balance of \$24.2 million, which have reserves for capital outlay, impact fees programs, general government programs, housing and the net balance of the Half Percent Local Sales Tax.
- Assigned fund balance of \$17.6 million, which includes the amounts to be used for specific purposes of the City but do not meet the criteria to be classified as restricted or committed. Funds in this category included Contingency funds (20% minimum reserve) and funds to be used for Development Services.
- Unassigned fund balance of \$6.3 million as of June 30, 2018

Major Governmental Funds. In fiscal year 2017-18 the City maintained one major fund: the General Fund. Changes in the General Fund are highlighted in the Financial Highlights section above.

Non-Major Governmental Funds. Non-major funds include 1) the Downtown Business Improvement District Fund, 2) the Transportation Development Act Fund, 3) the Tourism Business Improvement Fund, 4) the Gas Tax Fund, 5) the Community Development Block Grant Fund, 6) the Law Enforcement Grants Fund, 7) the Public Art Contributions Fund, 8) the Insurance Fund 9) the SB1 Road Repair Fund, 10) the SB1186CASP Certify Fund, 11) the Capital Outlay Fund, 12) the Parkland Development Fund, 13) the Open Space Protection Fund, 14) the Airport Area Impact Fee Fund, 15) the Los Osos Valley road Sub-Area Fee Fund, 16) the Waste Water Impact Fee Fund, 17) the Fleet Replacement Fund, 18) the Information Technology Fund, 19) the Affordable Housing Fund, 20) the Transportation Impact Fee Fund, 21) the Infrastructure Investment Fund, and 22) the Debt Service Fund . These funds are presented in the basic financial statements in the aggregate.

A significant number of these funds represent activity for capital projects. At June 30, 2018, these funds had an aggregate fund balance of \$23.9 million. Of this total, \$17.2 million is restricted for payment of debt service or committed to specific future capital projects.

The remaining balance of \$6.8 million is assigned for contingency reserves and expenditures in subsequent years. More information about these aggregated non-major funds can be found in the combining and individual fund statements and schedules immediately following the required supplementary information.

Proprietary Funds. The City's four enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. Highlights of the annual activity for these funds have already been presented in the discussion of the business-type activities.

General Fund Budgetary Highlights

A detailed budgetary comparison schedule for the year ended June 30, 2018 is presented as required supplementary information following the notes to the financial statements. The final budget amounts include changes that were approved by the City Council through June 30, 2018.

Management’s Discussion and Analysis

The following summarizes the original budget compared with the adjusted final budget for fiscal year 2017-18. The adjusted final budget includes Council approved adjustments as well as administrative budget adjustments in accordance with the City’s adopted fiscal policies and procedures.

BUDGETARY HIGHLIGHTS			
General Fund	Original Budget	Final Budget	Positive (Negative) Variance
Revenues	\$ 68,490,660	\$ 69,547,443	\$ 1,056,783
Expenditures	64,315,761	68,785,588	4,469,827
Other sources (uses)	(1,438,757)	(6,468,655)	(5,029,898)
Beginning fund balance	26,478,694	26,478,694	-
Ending fund balance	\$ 29,214,836	\$ 20,771,894	\$ (8,442,942)

As discussed below, differences between the original budget and the final amended budget reflect the following key changes:

Key revenue source estimates including sales tax, property tax, transient occupancy tax (TOT) and subventions and grants were estimated within a five-year fiscal forecast and updated through the mid-year review. The mid-year review as approved by the City Council in February 2018 increased assumed revenues by \$1 million.

The following table compares the actual results for revenues, expenditures, and fund balance with the final budget for the General Fund. As the table shows, revenues exceeded the final budget by nearly \$2.2 million, while expenditures and other uses ended below the final budget figure by \$9.8 million. The net amount for additional uses ended above budgeted resources by \$1.6 million. The net result of these variances resulted in the ending fund balance increasing by more than \$8.9 million over the amount anticipated in the budget.

BUDGET - ACTUAL COMPARISON			
General Fund	Final Budget	Actual	Positive (Negative) Variance
Revenues	\$ 69,547,443	\$ 71,737,084	\$ 2,189,641
Expenditures	68,785,588	60,583,436	(8,202,152)
Other sources (uses)	(6,468,655)	(8,055,902)	(1,587,247)
Beginning fund balance	26,478,694	26,478,694	-
Ending fund balance	\$ 20,771,894	\$ 29,576,440	\$ 8,804,546
Ending fund balance			
Nonspendable		3,520,473	3,520,473
Restricted		159,724	159,724
Committed		8,693,113	8,693,113
Assigned		10,868,260	10,868,260
Unassigned		6,334,870	6,334,870
Total ending fund balance	\$ 20,771,894	\$ 29,576,440	\$ 8,804,546

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets. Capital assets, including infrastructure, are those assets that are used in the performance of the City's functions. As of June 30, 2018, the City's investment in capital assets for its governmental and business type activities amounts increased to \$377.5 million (net of accumulated depreciation).

The investment in capital assets includes open space, park improvements, buildings and improvements, vehicles and equipment, streets, bikeways, water, wastewater, and storm drain systems.

Capital Assets (Net of Depreciation)	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Nondepreciable capital assets	\$ 42,787,165	\$ 40,811,362	\$ 27,060,991	\$ 21,469,603	\$ 69,848,156	\$ 62,280,965
Depreciable capital assets (net of accumulated depreciation)	153,769,305	152,516,256	153,840,778	157,669,355	307,610,083	310,185,611
Total Capital Assets	\$ 196,556,470	\$ 193,327,618	\$ 180,901,769	\$ 179,138,958	\$ 377,458,239	\$ 372,466,576

Major capital asset expenditures during the fiscal year included the following:

- \$2.9 million for Street and Flood projects including the rehabilitation of LOVR & Madonna Road
- \$1.4 million for the Margarita sewer lift station replacement
- \$450,000 Sinsheimer Park equipment replacement
- \$830,000 in Water system telemetry upgrades
- \$1,600,00 in Fleet Replacements
- \$664,000 for I.T equipment replacement.
- \$200,000 contribution for the new homeless center on Prado Road
- \$850,000 for low income housing at Bishop Street
- \$260,000 for improvements to the City/County Library
- \$373,000 for traffic and bike facilities improvements
- \$208,000 for ADA trail improvements at Laguna Lake
- \$235,000 for Open Space maintenance

Additional information on the City's capital assets can be found in Note 5 to the basic financial statements.

Long-Term Debt. At June 30, 2018, the City's long-term debt had decreased by \$7 million with \$73 million still outstanding. Part of the decrease is the refinancing of three lease revenue bonds that will yield an annual debt payment savings of \$370,00.

Long- Term Debt	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Lease-revenue bonds	\$ 23,484,450	\$ 26,328,540	\$ 21,815,204	\$ 24,072,708	\$ 45,299,654	\$ 50,401,248
Lease-purchase financing	1,599,769	1,898,652			1,599,769	1,898,652
Installment sale agreement			6,783,114	7,366,468	6,783,114	7,366,468
Loans	503,101	591,647	15,743,808	16,709,160	16,246,909	17,300,807
Compensated absences	2,468,124	2,422,613	637,526	653,492	3,105,650	3,076,105
	\$ 28,055,444	\$ 31,241,452	\$ 44,979,652	\$ 48,801,828	\$ 73,035,096	\$ 80,043,280

Management's Discussion and Analysis

The California Government Code provides for a limit on debt secured by real property of 3.75% based on market value. The City's debt management policy, however, sets a lower debt limit of 2% of assessed valuation. As of June 30, 2018, 2% of the assessed valuation was \$136,170,000, while the City's actual debt applicable to the computed limit was \$10,314,000. At June 30, 2018, the City did not have any general obligation debt subject to the limit. Additional information about the City's long-term debt can be found in Note 6 to the basic financial statements.

Economic Factors

Overall, the economic outlook for San Luis Obispo is stable for now and into 2019, but all signs point to a slowdown into 2020.

Employment. Employment growth slowed from 2017 levels, but still shows growth in non-farm jobs. These sustained gains in payroll jobs have helped drive the unemployment rate down to 2.8%, the lowest in nearly two decades. Natural Resources and Construction added the most jobs and nearly one third of non-farm jobs gains. In San Luis Obispo, 1,350 jobs were added in 2017. However, total non-farm employment is likely to increase less than 2% for all of 2018, and growth will slow further beyond 2018. Mounting labor shortages and affordability remain key challenges that will only worsen in the coming years.

Sales Tax. Overall, sales tax revenue increased modestly from the first half of 2017 to the first half of 2018. The main force behind the slowdown in consumer and business spending was a decrease in business-to-business spending which fell significantly during that time. Although it is expected that taxable sales continue to grow into 2019, it will be more modest in San Luis Obispo as population growth lags behind other parts of California. As such, San Luis Obispo will rely on continued growth in business activity and tourism.

Tourism. Tourism and hospitality are becoming a bigger part of the economy in San Luis Obispo as is seen with the County airport reaching two years of record-breaking passenger levels, making it the fifth-fastest growing airport in the nation. However, income from transient occupancy tax is expected to grow only 2.2% in San Luis Obispo; slightly above the countywide increase of 1.6%. Spending by tourists remains strong as is evident in an increase in hospitality employment and the continued increase in spending at restaurants.

Real Estate. The housing market has begun to show signs of slowing and housing inventory remains tight. Though price appreciation continues, it is at a smaller percentage gain compared to recent years. Sales are little changed from a year ago, but the median number of days on the market has increased significantly. In San Luis Obispo, the median house price has increased by 6.7%, but single-family home sales dropped by 9.5%.

Construction Activity. Though development permitting activities have been disappointing in the county overall, it remains strong in the City of San Luis Obispo. Year-to-date permit numbers for single-family residences as well as multi-family building are up significantly. There is also noticeable commercial real estate construction either under way or in various permitting stages. Development revenue continues to be strong as planning and building activity continues into 2019.

Overall, the economic forecast indicates modest growth relative to the local economy and should be beneficial for the City's revenue projections into 2019. However, as mentioned above, the possibility of an economic slow-down sometime in the near future is likely. Short-term interest rates have climbed over the past year flattening the Treasury yield curve. An increase in interest rates translates into increase loan rates for consumers making purchases on credit. This could lead to a possible slowdown in home sales as mortgage payments increase as well as in overall consumer confidence and spending.

Management’s Discussion and Analysis

Additionally, along with its regional partners, the City continues to address the closure of the Diablo Canyon Power Plant and prepare for the impacts to the region due to significant loss of jobs and property taxes. On September 19, 2018, Governor Brown signed SB 1090, directing the CPUC to approve the \$85 million economic mitigation settlement and PG&E’s full \$350 million proposed employee retention and retraining program. Of the \$85 million, the City will receive \$1.82 million for economic development and the remaining will be allocated to other surrounding agencies that will likely have an indirect beneficial impact on the City.

Next Year’s Budgets and Rates

On June 18, 2018, the City Council adopted the 2018-19 Financial plan supplement with an appropriation of \$203 million. The significant increase in year two of the financial plan is due to planned debt issuances in the Sewer and Parking funds. Adequate resources are available to fund the proposed expenditures.

Sales Tax. The local half-percent sales tax was reauthorized by City voters in November 2014 with over 70% of the vote. The local half-percent sales tax measure is projected to generate over \$7.6 million in 2018-19. With the approval of Measure G and the establishment of the Citizen’s Revenue Enhancement Oversight Commission (REOC), the Council is further supported through the body. The REOC reviews, reports, and makes recommendations directly to the City Council regarding revenues and expenditures of half-percent local sales tax.

Cannabis Tax. On November 6, 2018, the City’s voters approved a cannabis tax for the retail and production of cannabis related products. The City will begin receiving applications for these establishments in January 2019, with the first ones to open by May 2019. The City estimates new revenue through this measure amounting to \$1.5 million annually when the cannabis industry is fully established. The full \$1.5 million is not estimated to be realized until the 2019-20 fiscal year

General Fund Revenue. Based on the economic outlook, the City’s General Fund five-year forecast assumes slow, but steady growth in all of the revenue streams until 2020, when a further slow down is expected. This is based on growing trends indicating recessionary tendency and a very tight labor market that is already influencing sectors such as construction.

Utility Rates. On June 18, 2018, the City Council approved a new rate methodology for both the water and sewer utilities. The rate adoption followed all necessary notifications and public hearings as dictated by Proposition 2018. The following rates and rate components were adopted:

Water Rates for 2018-19

Single Family Residential Rate Description	Cost
Water Base Fee*	\$20.61 per month
Water Usage Tier 1 (1-5 Units)	\$5.90 per Unit
Water Usage Tier 2 (6-12 Units)	\$6.87 per Unit
Water Usage Tier 3 (13+ Units)	\$12.59 per Unit
Sewer Treatment Base Fee	\$18.69 per month
Sewer Treatment**	\$7.85 per Unit

Management’s Discussion and Analysis

Multi-Family, Non-Residential, Irrigation Water Rate Description	Cost
Base Fee by Water Meter Size	Monthly Base Fee
3/4 inch or less	\$20.61
1-inch meter	\$34.40
1.5-inch meter	\$68.65
2-inch meter	\$109.85
3-inch meter	\$206.10
4-inch meter	\$343.55
6-inch meter	\$686.95
8-inch meter	\$1,099.15
10-inch meter	\$1,580.15
Water Usage	
	Per Unit Cost
Multi-Family	\$6.73
Non-Residential	\$8.17
Landscape Irrigation	\$10.02

Sewer Rates for 2018-19

Multi-Family, Non-Residential Sewer Rate Description	Cost
Base Fee by Water Meter Size	Monthly Base Fee
3/4 inch or less	\$18.69
1-inch meter	\$31.21
1.5-inch meter	\$62.24
2-inch meter	\$99.62
3-inch meter	\$186.90
4-inch meter	\$311.56
6-inch meter	\$622.93
8-inch meter	\$996.72
10-inch meter	\$1,432.94
Sewer Treatment	
	Per Unit Cost
All use up to Sewer Cap	\$7.85

Parking Fund. On June 20, 2017, the City Council approved a multi-year plan, through 2020, to modify the rate structures for fines, forfeitures, as well as the parking rates for meters, structures and most permit types. The parking structures were equipped with new pay stations to implement a 24/7 payment structure. The fund is also preparing for the construction of its fourth structure located on Palm and Nipomo that should begin in 2019-20.

Requests for Additional Information

This financial report is designed to provide a general overview of the City’s finances for all those with an interest. Questions concerning any of the information provided in this report should be addressed to the Department of Finance, 990 Palm Street, San Luis Obispo, CA 93401.



BASIC FINANCIAL STATEMENTS

City of San Luis Obispo, California
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,320,783	\$ 5,179,325	\$ 12,500,108
Investments	38,565,828	59,394,942	97,960,770
Taxes receivable	6,089,431		6,089,431
Accounts receivable	2,430,114	5,405,854	7,835,968
Accrued interest receivable	194,747	276,534	471,281
Due from other governments		1,441,620	1,441,620
Prepaid items and other assets	4,227,173	5,801,331	10,028,504
Cash and investments held by fiscal agent	418,881	1,558,795	1,977,676
Investment in joint venture		1,052,700	1,052,700
Nondepreciable capital assets	42,787,165	27,060,991	69,848,156
Depreciable capital assets (net of accumulated depreciation)	153,769,305	153,840,778	307,610,083
Total assets	<u>255,803,427</u>	<u>261,012,870</u>	<u>516,816,297</u>
Deferred Outflows of Resources			
Other post-employment benefits related	994,601	214,634	1,209,235
Pension related	31,109,178	4,741,633	35,850,811
Unamortized loss on refunding of debt		134,759	134,759
Total deferred outflows of resources	<u>32,103,779</u>	<u>5,091,026</u>	<u>37,194,805</u>
Liabilities			
Accounts payable	2,780,742	3,174,675	5,955,417
Accrued salaries	819,678	69,578	889,256
Deposits payable		6,240	6,240
Unearned revenue	1,337,950		1,337,950
Interest payable	122,249	276,484	398,733
Other liabilities	139,428		139,428
Noncurrent liabilities:			
Due within one year	3,594,667	3,418,667	7,013,334
Due in more than one year	154,947,663	69,870,322	224,817,985
Total liabilities	<u>163,742,377</u>	<u>76,815,966</u>	<u>240,558,343</u>
Deferred Inflows of Resources			
Other post-employment benefits related	100,347	47,077	147,424
Pension related	2,079,934	121,509	2,201,443
Total deferred inflows of resources	<u>2,180,281</u>	<u>168,586</u>	<u>2,348,867</u>
Net Position			
Net investment in capital assets	171,472,251	136,694,402	308,166,653
Restricted for:			
Debt service	418,881	1,558,795	1,977,676
Grant program	3,073		3,073
Unrestricted	(49,909,657)	50,866,147	956,490
Total net position	<u>\$ 121,984,548</u>	<u>\$ 189,119,344</u>	<u>\$ 311,103,892</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:					
Public safety	\$ 35,068,684	\$ 7,028,873	\$ 1,881,725	\$ 1,949,331	\$
Transportation	7,090,879	2,138,163	1,669,563	992,090	39,781
Culture and recreation	9,217,684	1,908,108	3,487,225		
Community development	11,000,459	2,457,534	7,355,831	1,074,081	
General government	14,745,895	(13,532,678)	1,112,167	101,050	
Interest on long-term debt	1,488,183				
Total governmental activities	<u>78,611,784</u>	<u>-</u>	<u>15,506,511</u>	<u>4,116,552</u>	<u>39,781</u>
Business-type activities:					
Water	19,523,736		22,202,069		
Sewer	14,158,612		16,753,094		
Parking	4,098,840		5,226,780		
Transit	4,355,103		703,451	3,099,618	
Total business-type activities	<u>42,136,291</u>		<u>44,885,394</u>	<u>3,099,618</u>	<u>-</u>
General revenues and transfers:					
General sales and use taxes					
Half Percent Sales Tax and use tax					
Property taxes					
Transient occupancy tax (TOT)					
Utility users tax					
Property tax-in-lieu of vehicle license fees					
Franchise taxes					
Business tax					
Unrestricted investment earnings					
Other taxes					
Income from investment in joint venture					
Transfers					
Total general revenues and transfers					
Change in net position					
Net position, beginning of year					
Prior year restatements					
Net position, beginning of year, as restated					
Net position, end of year					

The accompanying notes are an integral part of these financial statements.

**Net Revenues (Expenses) and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (38,266,501)	\$	\$ (38,266,501)
(6,527,608)		(6,527,608)
(7,638,567)		(7,638,567)
(5,028,081)		(5,028,081)
-		-
(1,488,183)		(1,488,183)
(58,948,940)	-	(58,948,940)
	2,678,333	2,678,333
	2,594,482	2,594,482
	1,127,940	1,127,940
	(552,034)	(552,034)
-	5,848,721	5,848,721
17,055,085		17,055,085
7,504,485		7,504,485
11,425,510		11,425,510
7,514,289		7,514,289
5,627,356		5,627,356
4,637,253		4,637,253
1,597,655		1,597,655
2,663,686		2,663,686
164,434	320,471	484,905
745,253		745,253
	209,300	209,300
1,198,027	(1,198,027)	-
60,133,033	(668,256)	59,464,777
1,184,093	5,180,465	6,364,558
125,872,084	186,847,144	312,719,228
(5,071,629)	(2,908,265)	(7,979,894)
120,800,455	183,938,879	304,739,334
\$ 121,984,548	\$ 189,119,344	\$ 311,103,892

City of San Luis Obispo, California
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,789,983	\$ 5,530,800	\$ 7,320,783
Investments	20,478,568	18,087,260	38,565,828
Taxes receivable	6,089,431		6,089,431
Accounts receivable	1,489,947	938,566	2,428,513
Other receivables	1,601		1,601
Due from other funds	59,274		59,274
Accrued interest receivable	112,100	82,647	194,747
Prepaid items	3,520,473	5,642	3,526,115
Cash and investments held by fiscal agent		418,881	418,881
Total assets	<u>\$ 33,541,377</u>	<u>\$ 25,063,796</u>	<u>\$ 58,605,173</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ 1,784,304	\$ 996,438	\$ 2,780,742
Accrued liabilities	818,225	1,453	819,678
Due to other funds		59,274	59,274
Unearned revenue	1,222,980	114,970	1,337,950
Other liabilities	139,428		139,428
Total liabilities	<u>3,964,937</u>	<u>1,172,135</u>	<u>5,137,072</u>
Fund balance:			
Nonspendable	3,520,473	(71,687)	3,448,786
Restricted for:			
Debt service	159,724	1,653,109	1,812,833
Law enforcement grant programs		3,073	3,073
Committed to:			
Affordable housing programs		3,974,629	3,974,629
General government programs	8,693,113	8,092,594	16,785,707
Impact fee programs		595,256	595,256
Open space programs		2,363,347	2,363,347
Contingency fund		519,885	519,885
Assigned to:			
Contingency fund	10,171,464	900,000	11,071,464
Development services	596,796	5,861,455	6,458,251
City attorney	100,000		100,000
Unassigned	6,334,870		6,334,870
Total fund balance	<u>29,576,440</u>	<u>23,891,661</u>	<u>53,468,101</u>
Total liabilities and fund balance	<u>\$ 33,541,377</u>	<u>\$ 25,063,796</u>	<u>\$ 58,605,173</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Reconciliation of the Governmental Funds Balance Sheet
to the Government-wide Statement of Net Position
June 30, 2018

Total fund balance - governmental funds		\$ 53,468,101
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets at estimated historical cost	292,958,114	
Accumulated depreciation	<u>(96,401,644)</u>	196,556,470
Deferred outflows of resources, OPEB related, are not current asset or resources; and they are not due in the current period and therefore are not reported in the governmental funds.		
		994,601
Deferred outflows of resources, pension related, are not current asset or resources; and they are not due in the current period and therefore are not reported in the governmental funds.		
		31,109,178
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the governmental funds.		
		701,058
Long-term liabilities, including related interest payable, are not due and payable in the current period and therefore are not reported in the funds.		
Lease revenue bonds	21,927,775	
Lease purchase financing	1,599,769	
Compensated absences	2,468,124	
Conservation loan	503,101	
Bond premium	1,556,675	
Accrued interest payable	<u>122,249</u>	(28,177,693)
Net pension liability is not a current financial resource and, therefore, is not reported in the governmental funds.		
		(125,366,130)
Net OPEB liability is not a current financial resource and, therefore, is not reported in the governmental funds.		
		(5,120,756)
Deferred inflow of resources, OPEB related, are not current assets or resources; and they are not due in the current period and therefore are not reported in the governmental funds.		
		(100,347)
Deferred inflow of resources, pension related, are not current assets or resources; and they are not due in the current period and therefore are not reported in the governmental funds.		
		<u>(2,079,934)</u>
Total net position - governmental activities		<u>\$ 121,984,548</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Sales and use tax - general	\$ 17,055,085	\$	\$ 17,055,085
Sales and use tax - Half Percent Sales Tax	7,504,485		7,504,485
Sales tax - Prop 172	397,488		397,488
Property tax	11,425,510		11,425,510
Transient occupancy tax	7,514,289		7,514,289
Utility users tax	5,627,356		5,627,356
Property tax in lieu of VLF	4,637,253		4,637,253
Franchise taxes	1,597,655		1,597,655
Business tax	2,663,686		2,663,686
Real property transfer tax	347,765		347,765
Fines, forfeitures and penalties	199,374		199,374
Use of money and property	26,220	138,214	164,434
Subventions and grants	1,992,426	2,163,907	4,156,333
Charges for services	10,215,651	4,457,095	14,672,746
Miscellaneous	532,841	101,550	634,391
Total revenues	<u>71,737,084</u>	<u>6,860,766</u>	<u>78,597,850</u>
Expenditures:			
Current:			
General government	12,477,019	232,305	12,709,324
Public safety	28,711,689	151,217	28,862,906
Transportation	3,547,684	17,338	3,565,022
Leisure, cultural and social services	7,734,263	836,921	8,571,184
Community development	8,018,554	2,797,113	10,815,667
Debt service:			
Principal	14,646,127	1,019,777	15,665,904
Interest and fiscal charges	6,575	1,517,605	1,524,180
Capital outlay:			
Public safety		506,491	506,491
Transportation		6,419,137	6,419,137
Leisure, cultural and social services		981,768	981,768
Community development		525,105	525,105
General government		1,192,424	1,192,424
Total expenditures	<u>75,141,911</u>	<u>16,197,201</u>	<u>91,339,112</u>
Deficiency of revenues under expenditures	<u>(3,404,827)</u>	<u>(9,336,435)</u>	<u>(12,741,262)</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds, continued
For the Fiscal Year Ended June 30, 2018
Page 2

	General	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):			
Proceeds from debt refunding issuance including bond premium	\$ 12,472,698	\$	\$ 12,472,698
Transfers in	7,600,244	12,214,900	19,815,144
Transfers out	(13,570,369)	(5,046,748)	(18,617,117)
Total other financing sources (uses)	<u>6,502,573</u>	<u>7,168,152</u>	<u>13,670,725</u>
Net change in fund balance	3,097,746	(2,168,283)	929,463
Fund balance, beginning of year	<u>26,496,154</u>	<u>26,059,944</u>	<u>52,556,098</u>
Prior year restatements	<u>(17,460)</u>		<u>(17,460)</u>
Fund balance, beginning of year, as restated	<u>26,478,694</u>	<u>26,059,944</u>	<u>52,538,638</u>
Fund balance, end of year	<u>\$ 29,576,440</u>	<u>\$ 23,891,661</u>	<u>\$ 53,468,101</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-wide Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

Total net change in fund balance - governmental funds		\$ 929,463
Capital outlay net of depreciation expense and disposal.		
Expenditures for capital outlay - governmental funds	9,624,925	
Depreciation expense	<u>(6,389,176)</u>	3,235,749
Loss on disposal of capital asset		(6,897)
Repayments of long-term debt are recognized as expenditures in the governmental funds. In the government-wide statements, repayments of long-term liabilities are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		15,665,904
The issuance of long-term debt provides current financial resources to governmental funds. This transaction, however, has no effect on net position. Proceeds from the issuance of bonds was:		(11,072,775)
The issuance of long-term debt provides current financial resources to governmental funds. This transaction, however, has no effect on net position. Proceeds from the issuance of lease-purchase financing was:		(330,000)
Bond premiums are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net position. The amount of bond premiums capitalized during the current period was:		(1,069,923)
Interest on long-term debt is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The difference between interest expense paid and interest accrued was:		(2,316)
Change in unamortized discount/premium (netted with debt)		38,313
Changes in actuarially determined claim liabilities for uninsured claims do not provide current financial resources and are not reported in the governmental funds.		(123,804)
Compensated absences are measured by the amounts paid during the period in the governmental funds. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		(45,511)
Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(6,366,778)
OPEB expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		<u>332,668</u>
Total change in net position - governmental activities		<u>\$ 1,184,093</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statement of Fund Net Position
Business-Type Activities – Enterprise Funds
June 30, 2018

	Enterprise Funds				Totals
	Water	Sewer	Parking	Transit	
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,532,390	\$ 2,290,334	\$ 1,240,747	\$ 115,854	\$ 5,179,325
Investments	17,580,648	26,278,261	14,206,788	1,329,245	59,394,942
Accounts receivable	2,718,691	2,520,490	90,515	76,158	5,405,854
Accrued interest receivable	92,347	118,031	59,589	6,567	276,534
Prepayments	5,794,131	7,200			5,801,331
Due from other governments				1,441,620	1,441,620
Total current assets	<u>27,718,207</u>	<u>31,214,316</u>	<u>15,597,639</u>	<u>2,969,444</u>	<u>77,499,606</u>
Noncurrent assets:					
Cash and investments held by fiscal agent	1,554,220	506	4,069		1,558,795
Investment in joint venture	1,052,700				1,052,700
Capital assets:					
Land	945,926	2,176,114	5,947,455		9,069,495
Public art			74,100		74,100
Infrastructure	98,703,469	87,084,133	29,149,949	221,744	215,159,295
Buildings and improvements	19,134,912	5,024,388	888,420	5,101,506	30,149,226
Equipment	4,474,806	5,920,628	393,704	9,309,743	20,098,881
Construction in progress	2,360,018	14,953,478	570,567	33,333	17,917,396
Total capital assets	<u>125,619,131</u>	<u>115,158,741</u>	<u>37,024,195</u>	<u>14,666,326</u>	<u>292,468,393</u>
Less accumulated depreciation	<u>(53,205,191)</u>	<u>(37,387,289)</u>	<u>(12,913,561)</u>	<u>(8,060,583)</u>	<u>(111,566,624)</u>
Capital assets, net of accumulated depreciation	<u>72,413,940</u>	<u>77,771,452</u>	<u>24,110,634</u>	<u>6,605,743</u>	<u>180,901,769</u>
Total noncurrent assets	<u>75,020,860</u>	<u>77,771,958</u>	<u>24,114,703</u>	<u>6,605,743</u>	<u>183,513,264</u>
Total assets	<u>102,739,067</u>	<u>108,986,274</u>	<u>39,712,342</u>	<u>9,575,187</u>	<u>261,012,870</u>
Deferred Outflows of Resources					
Pension related	1,975,740	2,110,988	512,908	141,997	4,741,633
Other post-employment benefits related	92,686	94,431	20,083	7,434	214,634
Unamortized loss on refunding of debt	134,759				134,759
Total deferred outflow of resources	<u>2,203,185</u>	<u>2,205,419</u>	<u>532,991</u>	<u>149,431</u>	<u>5,091,026</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statement of Fund Net Position
Business-Type Activities – Enterprise Funds, continued
June 30, 2018
Page 2

	Enterprise Funds				
	Water	Sewer	Parking	Transit	Totals
Liabilities					
Current liabilities:					
Accounts payable	\$ 516,185	\$ 2,312,379	\$ 75,486	\$ 270,625	\$ 3,174,675
Accrued liabilities	27,712	30,241	9,358	2,267	69,578
Compensated absences	171,869	246,063	20,559	9,689	448,180
Deposits payable	6,240				6,240
Interest payable	128,035	44,621	103,828		276,484
Current portion of long-term debt	1,410,799	911,066	648,622		2,970,487
Total current liabilities	2,260,840	3,544,370	857,853	282,581	6,945,644
Noncurrent liabilities:					
Compensated absences	106,062	55,640	21,162	6,482	189,346
Lease revenue bonds	14,800,176	363,058	5,275,720		20,438,954
Installment sale agreement		6,181,903			6,181,903
State loan/note payable	2,894,282	7,533,740	4,322,760		14,750,782
Net pension liability	10,687,147	11,538,432	2,995,720	685,651	25,906,950
Net other post-employment benefits liability	990,028	1,072,658	274,668	65,033	2,402,387
Total noncurrent liabilities	29,477,695	26,745,431	12,890,030	757,166	69,870,322
Total liabilities	31,738,535	30,289,801	13,747,883	1,039,747	76,815,966
Deferred Inflows of Resources					
Pension related	50,073	54,254	13,892	3,290	121,509
Other post-employment benefits related	19,401	21,020	5,382	1,274	47,077
Total deferred inflow of resources	69,474	75,274	19,274	4,564	168,586
Net Position					
Net investment in capital assets	53,443,442	62,781,685	13,863,532	6,605,743	136,694,402
Restricted:					
Debt service	1,554,220	506	4,069		1,558,795
Subsequent year expenditures	585,126	4,860,676	87,258	8,308	5,541,368
Unrestricted	17,551,455	13,183,751	12,523,317	2,066,256	45,324,779
Total net position	\$ 73,134,243	\$ 80,826,618	\$ 26,478,176	\$ 8,680,307	\$ 189,119,344

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statement of Revenues, Expenses and Changes in Fund Net Position
Business-Type Activities – Enterprise Funds
For the Fiscal Year Ended June 30, 2018

	Enterprise Funds				
	Water	Sewer	Parking	Transit	Total
Operating revenues:					
Charges for sales and service	\$ 19,779,515	\$ 15,757,880	\$ 4,532,346	\$ 690,168	\$ 40,759,909
Impact fees	2,131,345	681,878			2,813,223
Fines and forfeitures			620,665		620,665
Other revenues	285,272	341,078	148,496		774,846
Total operating revenues	<u>22,196,132</u>	<u>16,780,836</u>	<u>5,301,507</u>	<u>690,168</u>	<u>44,968,643</u>
Operating expenses:					
Salaries and benefits	4,578,651	4,840,962	1,464,217	341,331	11,225,161
Supplies and maintenance	1,271,043	3,359,972	272,159	358,224	5,261,398
Contract services	8,815,633	921,610	639,990	2,615,011	12,992,244
General government	1,485,450	1,695,070	622,189	319,987	4,122,696
Depreciation	2,645,460	3,046,316	649,493	720,550	7,061,819
Total operating expenses	<u>18,796,237</u>	<u>13,863,930</u>	<u>3,648,048</u>	<u>4,355,103</u>	<u>40,663,318</u>
Operating income (loss)	<u>3,399,895</u>	<u>2,916,906</u>	<u>1,653,459</u>	<u>(3,664,935)</u>	<u>4,305,325</u>
Nonoperating revenues (expenses)					
Interest on investments, net	111,060	117,523	85,312	6,576	320,471
Grants				3,099,618	3,099,618
Interest expense	(727,499)	(294,682)	(450,792)		(1,472,973)
Income from investment in joint venture	209,300				209,300
Miscellaneous nonoperating revenues (expenses)	5,937	(27,742)	(74,727)	13,283	(83,249)
Total nonoperating revenues (expenses)	<u>(401,202)</u>	<u>(204,901)</u>	<u>(440,207)</u>	<u>3,119,477</u>	<u>2,073,167</u>
Income (loss) before transfers and capital contributions	<u>2,998,693</u>	<u>2,712,005</u>	<u>1,213,252</u>	<u>(545,458)</u>	<u>6,378,492</u>
Transfers	(934,306)	(772,599)	570,276	(61,398)	(1,198,027)
Total transfers	<u>(934,306)</u>	<u>(772,599)</u>	<u>570,276</u>	<u>(61,398)</u>	<u>(1,198,027)</u>
Change in net position	2,064,387	1,939,406	1,783,528	(606,856)	5,180,465
Net position, beginning of year	<u>72,428,064</u>	<u>80,134,823</u>	<u>24,939,193</u>	<u>9,345,064</u>	<u>186,847,144</u>
Prior year restatements	<u>(1,358,208)</u>	<u>(1,247,611)</u>	<u>(244,545)</u>	<u>(57,901)</u>	<u>(2,908,265)</u>
Net position, beginning of year, as restated	<u>71,069,856</u>	<u>78,887,212</u>	<u>24,694,648</u>	<u>9,287,163</u>	<u>183,938,879</u>
Net position, end of year	<u>\$ 73,134,243</u>	<u>\$ 80,826,618</u>	<u>\$ 26,478,176</u>	<u>\$ 8,680,307</u>	<u>\$ 189,119,344</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statement of Cash Flows
Business-Type Activities – Enterprise Funds
For the Fiscal Year Ended June 30, 2018

	Enterprise Funds				
	Water	Sewer	Parking	Transit	Total
Cash flows from operating activities:					
Cash received from customers	\$ 22,252,041	\$ 16,892,649	\$ 5,008,925	\$ 614,099	\$ 44,767,714
Cash payments to suppliers for goods and services	(10,238,775)	(3,541,370)	(953,170)	(3,039,986)	(17,773,301)
Cash payments to General Fund for interfund services	(1,485,450)	(1,695,070)	(622,189)	(319,987)	(4,122,696)
Cash payments to employees for services	(4,420,685)	(4,422,469)	(1,240,701)	(316,537)	(10,400,392)
Other cash receipts		(27,742)	(74,727)	13,283	(89,186)
Other cash payments	5937				5,937
Net cash provided by (used in) operating activities	<u>6,113,068</u>	<u>7,205,998</u>	<u>2,118,138</u>	<u>(3,049,128)</u>	<u>12,388,076</u>
Cash flows from noncapital financing activities:					
Operating grants received				3,048,139	3,048,139
Transfers to other funds	(934,306)	(772,599)	570,276	(61,398)	(1,198,027)
Net cash provided by (used in) noncapital financing activities	<u>(934,306)</u>	<u>(772,599)</u>	<u>570,276</u>	<u>2,986,741</u>	<u>1,850,112</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(1,354,877)	(7,205,173)	(74,045)	(190,535)	(8,824,630)
Principal paid on debt financing	(1,787,728)	(1,301,008)	(6,549,699)		(9,638,435)
Interest paid on debt financing	(713,848)	(297,125)	(450,792)		(1,461,765)
Proceeds from issuance of debt	321,195	355,005	5,156,025		5,832,225
Net cash used in capital and related financing activities	<u>(3,535,258)</u>	<u>(8,448,301)</u>	<u>(1,918,511)</u>	<u>(190,535)</u>	<u>(14,092,605)</u>
Cash flows from investing activities:					
Interest on investments, net	83,346	92,006	68,337	5,522	249,211
Net cash provided by investing activities	<u>83,346</u>	<u>92,006</u>	<u>68,337</u>	<u>5,522</u>	<u>249,211</u>
Net change in cash and cash equivalents	1,726,850	(1,922,896)	838,240	(247,400)	394,794
Cash and cash equivalents, beginning of year	<u>18,940,408</u>	<u>30,491,997</u>	<u>14,613,364</u>	<u>1,692,499</u>	<u>65,738,268</u>
Cash and cash equivalents, end of year	<u>\$ 20,667,258</u>	<u>\$ 28,569,101</u>	<u>\$ 15,451,604</u>	<u>\$ 1,445,099</u>	<u>\$ 66,133,062</u>

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statement of Cash Flows
Business-Type Activities – Enterprise Funds, continued
For the Fiscal Year Ended June 30, 2018
Page 2

	Enterprise Funds				Total
	Water	Sewer	Parking	Transit	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 3,399,895	\$ 2,916,906	\$ 1,653,459	\$(3,664,935)	\$ 4,305,325
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,645,460	3,046,316	649,493	720,550	7,061,819
Other revenues and expenses	5,937	(27,742)	(74,727)	13,283	(83,249)
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
Accounts receivable	71,449	111,813	(42,582)	(76,069)	64,611
Prepaid expense	(175,094)	24,862			(150,232)
Accounts payable	22,995	715,350	(41,021)	(66,751)	630,573
Deposits payable	(15,540)		(250,000)		(265,540)
Accrued salaries and compensated absences	(24,310)	29,338	17,211	(818)	21,421
Deferred pensions and net pension liability	(734,467)	(610,092)	(53,662)	(33,261)	(1,431,482)
Deferred OPEB and net OPEB liability	916,743	999,247	259,967	58,873	2,234,830
Net cash provided by (used in) operating activities	<u>\$ 6,113,068</u>	<u>\$ 7,205,998</u>	<u>\$ 2,118,138</u>	<u>\$(3,049,128)</u>	<u>\$12,388,076</u>
Reconciliation of cash and investments to the balance sheet:					
Cash and cash equivalents	\$ 1,532,390	\$ 2,290,334	\$ 1,240,747	\$ 115,854	\$ 5,179,325
Investments	17,580,648	26,278,261	14,206,788	1,329,245	59,394,942
Cash and investments held by fiscal agent	1,554,220	506	4,069		1,558,795
Total cash and investments	<u>\$20,667,258</u>	<u>\$28,569,101</u>	<u>\$15,451,604</u>	<u>\$ 1,445,099</u>	<u>\$66,133,062</u>
Noncash investing, capital, and financing activities:					
None					

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Statement of Net Position – Fiduciary Funds
Agency Funds
June 30, 2018

Assets

Current assets:

Cash and cash equivalents	\$ 2,880,001
Investments	1,869,592
Accounts receivable	52,655
Accrued interest receivable	12,705
Other assets	36,964
Deferred outflows of resources - pension and OPEB related	268,219
Capital assets, net of accumulated depreciation	<u>1,188,758</u>

Total assets \$ 6,308,894

Liabilities

Current liabilities:

Accounts payable	\$ 178,678
Accrued liabilities	41,003
Other liabilities	2,536,851
Deferred inflows of resources - pension and OPEB related	8,967
Net pension liability	1,377,970
Net OPEB liability	127,770
Due to agency participants	<u>2,037,655</u>

Total liabilities \$ 6,308,894

The accompanying notes are an integral part of these financial statements.

City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2018

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City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies

The basic financial statements of the City of San Luis Obispo (City) have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP), as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant policies:

Description of the Reporting Entity

The City is a California charter city. It was incorporated on February 19, 1856 and chartered on May 1, 1876. It is organized in accordance with the Council-Mayor-City Manager form of government. With a population of approximately 46,548, the City provides a broad range of municipal services, including police and fire protection, parks and recreation, water and sewer utilities, street maintenance, public transportation, parking, planning, building and safety, and other general government services.

As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the government's operations which creates the need to include their financial information with that of the primary government. The City has no component units that require discrete presentation in accordance with GASB standards.

Blended Component Unit. The City has identified The San Luis Obispo Capital Improvement Board (the Board) as a blended component unit in accordance with GASB standards. The Board provides financing for the construction and acquisition of City facilities. The Board consists of members of the City Council. Activities of the Board are accounted for in the applicable City governmental fund and consist of the issuance of debt secured by the lease of property. Separate financial statements are not prepared for the San Luis Obispo Capital Improvement Board.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The indirect expense allocation transfers general support services to operating programs based on the most current Cost Allocation Plan. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2018
Page 2

Note 1: Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. An exception to this timeframe is made to allow for the recognition of the final property tax distributions received from the County, if necessary, as well as for sales tax revenues received in September. This later provision is made in order for the City's revenue stream to match that recognized by the State of California. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major Funds and Other Funds. GASB Standards define major funds and require that the City's major governmental funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund type.

Major funds are defined as funds that have assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total and at least five percent of the grant total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2018
Page 3

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

General Fund. This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The only proprietary funds the City reports are the Enterprise Funds, all of which are major funds. Proprietary funds are accounted for on the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City reports the following major enterprise funds:

Water Fund. This fund accounts for the provision of water services to the residents of the City as well as some customers in the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, capital improvements and debt service.

Sewer Fund. This accounts for the provision of wastewater collection and treatment services to the residents of the City as well as some customers in the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, capital improvements and debt service.

Parking Fund. This fund accounts for activities related to the implementation of the Access and Parking Management Plan, including the operation of municipal parking lots, parking structures, parking meters and residential parking districts. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, capital improvements and debt service.

Transit Fund. This fund accounts for the operation and maintenance of the City's transit system. Although user fees are not the primary funding source for the operation of the system, the State of California and the Federal government, which provide the major funding sources for the system, require that local transit systems be accounted for on an enterprise fund basis.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City has established nine Agency Funds, which are used to account for funds held by the City as an agent for private individuals, organizations or other governmental agencies. Agency funds are accounted for using the accrual basis of accounting. See page 135 for a complete list of Agency Funds.

City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2018
Page 4

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position or Fund Balance

Cash, Cash Equivalents and Investments. The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash and investments held by fiscal agents are treated as cash equivalents for purposes of the statement of cash flows.

Highly liquid investments with maturities of one year or less at time of purchase are stated at the amortized cost. All other investments are stated at fair value. Market value is used as fair value for those investments where market quotations are readily available.

Receivables and Payables. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

All receivables are shown net of any allowance for uncollectible accounts if material. Charges for utility services rendered but unbilled as of June 30 are accrued and are recognized as revenues.

Prepays and Inventories. The City has no significant inventories. The cost of any inventoriable item has been recorded as an expenditure or expense at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepayments in the governmental funds are accounted for using the consumption method.

Restricted Assets. Certain proceeds of debt financings, as well as resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate trust bank accounts and their use is limited by applicable debt covenants. Notes 2 and 6 have additional information on funds held by fiscal agents.

Capital Assets. Capital assets, which include property, plant, equipment and infrastructure assets (such as streets, sidewalks and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, and in the proprietary funds statement of net position. Capital assets are defined by the City as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement would be reported at acquisition value rather than fair value. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements

City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2018
Page 5

Note 1: Summary of Significant Accounting Policies (Continued)

are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. Detailed information on the City’s capital assets can be found in Note 5.

Property, plant and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20-100
Buildings and structures	20-50
Improvements other than buildings	10-100
Equipment	3-21

Deferred Outflows and Inflows of Resources. The City recognizes deferred outflows and inflows of resources in the Statement of Net Position. A deferred outflow of resources is defined as a consumption of net position by the City that is applicable to a future reporting period. The City has deferred outflows of resources related to pensions, other post-employment benefits (OPEB), and unamortized loss on refundings of debt. A deferred inflow of resources is defined as an acquisition of net position by the City that is applicable to a future reporting period. The City has deferred inflows of resources related to pensions and OPEB.

Compensated Absences. City employees are granted vacation and sick leave in varying amounts. In the event of termination, employees are reimbursed for the total value of their accumulated vacation days. Employees are reimbursed for 10% to 30% of the accumulated sick leave only upon retirement and only after at least 10 years of service. In selected cases, similar accumulated sick leave reimbursements may be available after 20 years of continuous employment. An employee's estate is reimbursed for 30% of the employee's accumulated sick leave in the event of death while in the City's employ. A liability for compensated absences is accrued in the government-wide and proprietary funds financial statements.

Long-Term Obligations. In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. Bond premiums and discounts and deferred amounts on refunding are deferred and amortized over the life of the bonds. Deferred amounts on refunding are reported separately from assets and liabilities in the Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period they originate. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2018
Page 6

Note 1: Summary of Significant Accounting Policies (Continued)

Net Pension Liability. The City recognizes a net pension liability, which represents the City’s proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial reports provided by the California Public Employees’ Retirement System (CalPERS) plans (Plans). The net pension liability is measured as of the City’s prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in the net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s CalPERS Plans and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Projected earnings on pension investments are recognized as a component of pension expense.

Other Post-Employment Benefits (OPEB) Liability. For purposes of measuring net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s plan (OPEB Plan), and additions to or deductions from the OPEB Plan’s fiduciary net position, have been determined on the same basis as they are reported by the California Employer’s Retiree Benefit Trust Program (CERBT). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported OPEB results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Fund Equity. In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components in accordance with GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* – nonspendable, restricted, committed, assigned and unassigned. The City Council may take action via minute order to add, delete or amend a fund balance commitment that is not required as a condition of a bond covenant or other external, legal requirement.

Nonspendable. This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted. This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes legally enforceable requirements (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed. This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by minute order authorized by the City Council. Also included in this component are encumbrances which represent legal and binding obligations for the acquisition of future goods and services. Those committed amounts established by minute order cannot be used for any other purpose unless the City Council adopts a new minute order so directing. With respect to encumbered amounts, the City may take steps to cancel the order for goods or services and thereby terminate the obligation.

Assigned. This component consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager or Director of Finance are authorized by City Council, via formal action at regular public meetings, to assign amounts to a specific purpose. Constraints imposed on the use of assigned amounts can be removed with no formal Council actions.

Unassigned. This component is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds may report negative unassigned fund balance, which occurs when a fund has a residual deficit after allocation of fund balance to the nonspendable, restricted or committed categories.

Fund Balance Spending Practice. The City follows a practice in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for a specific purpose. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Reconciliation of Government-wide and Fund Financial Statements

A reconciliation between total fund balance of the governmental funds and total net position of the governmental activities as reported in the government-wide statement of net position is presented in the basic financial statements.

A reconciliation between total net change in fund balance of the governmental funds and total change in net position of governmental activities as reported in the government-wide statement of activities is presented in the basic financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

There are no differences between total net position of the proprietary funds and total net position of the business-type activities as reported in the government-wide statement of net position.

Budgets and Budgetary Accounting

Overview. The City has received national recognition for its use of a two-year Financial Plan and budgetary process that emphasizes long-range planning and effective program management. Significant features of the City's two-year Financial Plan include the integration of Council goal-setting into the budgetary process and the extensive use of formal policies and measurable objectives. The Financial Plan includes operating budgets for two years and a capital improvement plan (CIP) covering five years.

Under this multi-year approach, appropriations continue to be made annually; however, the Financial Plan is the foundation for preparing the budget for the second year. Additionally, unexpended operating appropriations from the first year may be carried over for specific purposes into the second year with the approval of the City Manager.

Management Policies. The overall goal of the City's Financial Plan is to link what the City wants to accomplish over the next two years with the resources required to do so. Formal statements of budgetary policies and major objectives provide the foundation for achieving this goal. Key budget principles include: maintaining fund balances at levels which will protect the City from future uncertainties; estimating revenues at realistic levels; making current expenditures with current revenues; maintaining the City's traditional commitment to a strong General Fund; and complying with provisions of the State constitution, City charter, municipal code, and sound fiscal policy. Key revenue policies include: maintaining a diversified and stable revenue base; setting enterprise fund rates at levels that fully recover the total cost of providing services in the Water, Sewer and Parking Funds; and at policy levels for cost recovery in the Transit Fund; charging fees for General Fund programs in accordance with adopted user fee cost recovery goals; and ensuring that new development pays its fair share of the cost of constructing necessary community facilities.

- *Budget Process.* The City Manager is responsible for preparing the budget and submitting it to the Council for approval. Although specific steps will vary from year to year, the following is an overview of the general approach used under the City's two-year budgetary process:
 - *First Year.* The Financial Plan process begins with City Council goal-setting to determine major objectives to be accomplished over the next two years. As part of this process, community groups, interested individuals, and Council advisory bodies present their recommendations to the Council. Goals approved by the City Council are incorporated into the budget instructions issued to the operating departments, who are responsible for submitting initial budget proposals. After these proposals are comprehensively reviewed and a detailed financial forecast is prepared, the City Manager issues the Preliminary Financial Plan for public comment. A series of study sessions and public hearings are then held leading to Council adoption of the Financial Plan and Budget prior to the start of the fiscal year.

Note 1: Summary of Significant Accounting Policies (Continued)

- **Second Year.** Before the beginning of the second year of the two-year cycle, the Council reviews the progress during the first year, makes adjustments as necessary and approves appropriations for the second fiscal year. Unspent operating appropriations from the first year may be carried over for specific purposes into the second year with the approval of the City Manager. Unspent and unencumbered operating appropriations lapse at the end of the second year. The fiscal year which ended June 30, 2018 was the first year of the 2017-19 two-year cycle.
- **Mid-Year Reviews.** The Council formally reviews the City's financial condition and amends appropriations, if necessary, each February.
- **Status Reports.** Financial reports are prepared monthly to monitor the City's fiscal condition; more formal reports are posted to the City's website on a quarterly basis. Additionally, more focused reports are issued on key revenues, such as sales tax, transient occupancy tax and quarterly reports on investments. The status of major goals and program objectives, including Construction in Progress (CIP) projects, are also formally reported to the Council on an ongoing basis.

Accounting and Budget Administration. Budgets are prepared for each fund in accordance with its respective basis of accounting consistent with U.S. Generally Accepted Accounting Principles (GAAP). All governmental funds have legally adopted budgets annually. While budgets are prepared for the City's capital projects funds, the capital projects generally span more than one year and are effectively controlled at the project level; accordingly, budgetary comparisons are not presented in the accompanying other supplementary information following the basic financial statements.

As provided under the City Charter, the Council may amend or supplement the budget at any time after its adoption by majority vote of the Council members. The legal level of budgetary control – the level at which expenditures are not to exceed appropriations – is the fund level.

For management control purposes, the City Manager has the authority to make or approve administrative adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end fund balances. Department heads have the authority to transfer line-item budgets within the department within a fund. During fiscal year 2018 several supplemental budget appropriations were made to reflect the inclusion of costs related to prior year encumbered amounts as well as the rollover of unspent capital appropriations. Additional appropriations were added to fund a prepayment made to the retirement system as well as to provide additional resources for the Community Development Department to ensure that it maintained a development review process that complied with State law in light of the increased demand for services. These adjustments were material when compared to the original appropriations. Both the original and final amended budgets of the general fund are presented as required supplementary information following the notes to the financial statements. Budget information for non-major governmental funds with annual budgets is presented in other supplementary information following the notes to the financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Encumbrances. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at the end of the year are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Amounts encumbered at year end are re-appropriated in the following year.

Indirect Cost Reimbursement. All of the City's general government and engineering programs are accounted and budgeted for in the General Fund. However, some of these support service programs also benefit the City's enterprise and agency fund operations, and accordingly, transfers are made from these funds to reimburse the General Fund for these services. The transfers are based on a Central Service Cost Allocation Plan prepared for this purpose, which distributes these shared costs in a uniform, consistent manner in accordance with GAAP.

Fair Value Measurements

As defined in GASB Statements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City uses valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GASB Statements establish a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 — Observable inputs, other than Level 1 prices, for the asset or liability, either directly or indirectly;
- Level 3 — Unobservable inputs for the asset or liability.

For fiscal year ended June 30, 2018, the application of valuation techniques applied to the City's financial statements has been consistent.

Note 2: Cash and Investments

The City follows the practice of pooling cash and investments for all funds under its direct daily control. Funds held by outside fiscal agents under provisions of bond indentures are maintained separately.

Interest earned on pooled cash and investments is allocated quarterly to the various funds based on the respective fund's average quarterly cash balance. Interest earned from cash and investments with fiscal agents is credited directly to such funds.

City of San Luis Obispo, California
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Note 2: Cash and Investments (Continued)

Funds with Fiscal Agent

The City has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. The California Government Code provides that these funds, in the absence of specific statutory provisions governing the issuance of bonds, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, or indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized which are not permitted by the City's investment policy.

Investments

The City is authorized by its investment policy, in accordance with Section 53601 of the California Government Code, to invest in the following instruments:

- Treasury bills and notes
- Government Sponsored Enterprises
- Commercial paper
- Repurchase agreements
- Bankers' acceptances
- Corporate medium-term notes
- Negotiable certificates of deposit
- Collateralized bank deposits
- Money market mutual funds
- State Local Agency Investment Fund (LAIF)

Investments are stated at fair value, based on quoted market prices, except for discount notes which are stated at amortized cost which approximates fair value, in accordance with GASB standards. Investment income has been adjusted to reflect any unrealized gains and losses resulting from the fair value adjustment annually. While U.S. generally accepted accounting principles require recording any increases or decreases in the market value of the City's investments, it is the City's policy to make all investment decisions based on holding them through maturity, and therefore the City may not realize the gains or losses resulting from the fair value adjustment. As such, changes in market value generally do not affect the long-term results of the portfolio, but they can result in significant fluctuations from year-to-year.

The fair value of the City's position in the State LAIF pool is the same as the value of the pool shares. The State LAIF pool credit quality is unrated. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually.

City of San Luis Obispo, California
Notes to the Financial Statements
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Note 2: Cash and Investments (Continued)

At June 30, 2018, cash and investments consisted of the following:

	Fair Value	Percent of Portfolio
Cash and cash equivalents	\$ 12,925,802	11.50%
State Local Agency Investment Fund	22,360,206	19.89%
U.S. Treasury Bond / Note	20,616,929	18.34%
Federal Agency Bond / Note	24,148,548	21.48%
Corporate Note	12,665,011	11.26%
Commercial Paper	4,584,939	4.08%
Negotiable Certificates of Deposit	13,031,588	11.59%
Non-Negotiable Certificates of Deposit	981,466	0.87%
Money Market Funds	1,124,065	1.00%
Total cash and investments	\$ 112,438,554	100.00%

At June 30, 2018, cash and investments are reflected in the financial statements as follows:

	Governmental Funds	Enterprise Funds	Total
Cash and cash equivalents	\$ 7,320,783	\$ 5,179,325	\$ 12,500,108
Investments	38,565,828	59,394,942	97,960,770
Cash and investments held by fiscal agents	418,881	1,558,795	1,977,676
Total cash and investments	\$ 46,305,492	\$ 66,133,062	\$ 112,438,554

Investment Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Investment securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investment securities classified in Level 2 of the fair value hierarchy are valued using matrix pricing or market corroborated pricing. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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Notes to the Financial Statements
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Note 2: Cash and Investments (Continued)

The following is a summary of the fair value measurements as of June 30, 2018:

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value hierarchy				
U.S. Treasury Bond / Note	\$ 20,616,929	\$ 20,616,929	\$	\$
Federal Agency Bond / Note	24,148,548		24,148,548	
Corporate Note	12,665,011		12,665,011	
Commercial Paper	4,584,939		4,584,939	
Negotiable Certificates of Deposit	13,031,588		13,031,588	
Total investments by fair value hierarchy	<u>75,047,015</u>	<u>\$ 20,616,929</u>	<u>\$ 54,430,086</u>	<u>\$ -</u>
Investments not subject to fair value hierarchy				
State Local Agency Investment Fund	22,360,206			
Non-Negotiable Certificates of Deposit	981,466			
Money market funds	<u>1,124,065</u>			
Total investments not subject to fair value hierarchy	<u>24,465,737</u>			
Total investments measured at fair value	<u>\$ 99,512,752</u>			

Custodial Credit Risk – Deposits with Financial Institutions. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits. Deposits with financial institutions, including certificates of deposit, totaled \$18,369,803 at June 30, 2018 and were insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

The California Government Code requires California financial institutions to secure the City's deposits by pledging government securities as collateral. The market value of the pledged securities must equal 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal to 150% of the City's deposits or letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% in excess of the total amount of deposits.

Custodial Credit Risk - Investments. This is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. All of the City's investments in securities are insured or registered and held by a counterparty in the City's name in accordance with the City's policies.

City of San Luis Obispo, California
Notes to the Financial Statements
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Note 2: Cash and Investments (Continued)

Interest Rate Risk. This is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. In accordance with its policies in the Investment Management Plan, the City mitigates interest rate risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market before maturity.
- Investing operating funds primarily in shorter-term securities.

The City’s investment policy also includes portfolio maturity targets. A minimum of 20% of the portfolio will be invested in securities maturing in one year or less. Up to 80% of the portfolio can be invested in securities with a maturity over one year, with no more than 10% of the portfolio invested in securities with a maturity over five years.

Maturities using the segmented time distribution method for those investments requiring this disclosure are as follows:

	<u>Fair Value</u>	<u>Less Than One Month</u>	<u>One Month to One Year</u>	<u>One to Five Years</u>	<u>Over Five Years</u>
State Local Agency Investment Fund	\$ 22,360,206	\$	\$ 22,360,206	\$	\$
U.S. Treasury Bond / Note	20,616,929		92,536	20,524,393	
Federal Agency Bond / Note	24,148,548		7,478,326	16,670,222	
Corporate Note	12,665,011		571,013	12,093,998	
Commercial Paper	4,584,939	980,325	3,604,614		
Negotiable Certificates of Deposit	13,031,588		5,249,509	7,782,079	
Non-Negotiable Certificates of Deposit	981,466		981,466		
Money Market Funds	1,124,065	1,124,065			
Total maturities	<u>\$ 99,512,752</u>	<u>\$ 2,104,390</u>	<u>\$ 40,337,670</u>	<u>\$ 57,070,692</u>	<u>\$ -</u>

Investments held by fiscal agents are structured with maturity dates that correspond to the payment of final debt service of the respective bond indenture.

Credit Risk. This is the risk of loss due to the failure of the security issuer or backer. The City’s policies to mitigate credit risk include:

- Limiting investments to the safest types of securities. As noted above, the California Government Code limits the investment vehicles available to local agencies. The credit risk of these securities is measured by the assignment of a rating by a nationally recognized statistical rating organization. The table below presents the rating for each investment type as provided by Standard & Poor’s except as noted.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business.

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Note 2: Cash and Investments (Continued)

The following table identifies the Standard & Poor's credit quality ratings for those investments requiring this disclosure as of June 30, 2018:

<u>Type of Investment</u>	<u>Rating</u>	<u>Total</u>
Federal Agency Bonds / Notes	AA+	\$ 24,148,548
Corporate Notes	AAA	969,384
	AA+	1,017,519
	AA	1,864,764
	AA-	1,356,084
	A+	2,197,687
	A	4,317,757
	A-	941,816
Total Corporate Notes		<u>12,665,011</u>
Commercial Paper	A-1	4,584,939
Negotiable Certificates of Deposit	A-1+	1,807,827
	AA-	3,882,513
	A+	3,899,566
	A-1	3,441,682
Total Negotiable Certificates of Deposit		<u>13,031,588</u>
Not Applicable:		
U.S. Treasury Bonds / Notes		20,616,929
Not Rated:		
State Local Agency Investment Fund		22,360,206
Non-Negotiable Certificates of Deposit		981,466
Money Market Mutual Funds		1,124,065
Total Investments		<u><u>\$ 99,512,752</u></u>

Concentration Credit Risk. The City's policies contained in the Investment Management Plan provide guidelines (by type of investment that limits either the dollar amount, the percent of the portfolio or the maturity term) for diversifying the investment portfolio so that potential losses on individual securities will be minimized.

The City's Investment Management Plan outlines the following criteria related to portfolio diversification:

- No more than 5% of the City's portfolio (exclusive of government agency issues or LAIF) shall be placed with any financial institution.

City of San Luis Obispo, California
Notes to the Financial Statements
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Note 2: Cash and Investments (Continued)

- No more than 25% of the City’s portfolio shall be invested in collateralized certificates of deposit issued by financial institutions.
- Certificates of deposit (negotiable and collateralized) placed by the City shall not constitute more than 15% of the total assets of the institution; and negotiable certificates of deposit will only be placed with institutions with total assets in excess of \$200 million and that maintain a ratio of equity to total assets of at least 5%.

Investments that exceed 5% of the portfolio by issuer are summarized below:

	<u>Fair Value</u>	<u>Percent of Portfolio</u>
Federal National Mortgage Association	12,550,368	13%
Fannie Mae and Freddie Mac	6,740,555	7%

These U.S. government-sponsored enterprise agency securities are not explicitly guaranteed by the U.S. government. Approximately 20.7% of the City’s portfolio is comprised of U.S. Treasury securities, which are exempt from this disclosure.

Foreign Currency Risk. The City does not hold any investment that is based on foreign currency exchange rates.

Note 3: Property Taxes

Property taxes in the State of California (State) are administered for all local agencies at the county level, and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

- **Property Valuation.** Valuations are established by the Assessor of the County of San Luis Obispo (County) for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. Proposition 13 also modified the value of taxable real property for fiscal 1979 by rolling back values to fiscal 1976 levels. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.
- **Tax Levies.** Under the provisions of Proposition 13, the County wide tax levy for general revenue purposes is limited to 1% of full market value, which results in a tax rate of \$1.00 per \$100 assessed valuation. Tax rates for voter approved indebtedness are excluded from this limitation.

Note 3: Property Taxes (Continued)

- ***Tax Levy Dates.*** All lien dates attach annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. The lien against real estate as well as the tax on personal property is not relieved by subsequent renewal or change in ownership.
- ***Tax Collections.*** The County Treasurer/Tax Collector is responsible for all property tax collections. Taxes and assessments on the secured and utility rolls, which constitute a lien against the property, may be paid in two installments: the first installment is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second installment is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property. However, if the taxes become delinquent the lien is attached against anything the individual owns, which could include real property.

Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

- ***Teeter Plan.*** In 1993-94 the City elected to receive property tax revenue in accordance with the alternative method of distribution prescribed by Sections 4701-4717 of the California Revenue and Taxation Code, which is commonly known as the “Teeter Plan” whereby the County remits 100% of taxes levied without regard to delinquencies. The County then pursues collection, retaining any delinquent taxes and related penalties and interest.
- ***Tax Levy Apportionments.*** Due to the nature of the County wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor Controller based primarily on two factors: the ratio that each agency represented of the total County wide levy for the three years prior to fiscal 1979; and subsequent adjustments to these apportionments and transfers to the “Educational Revenue Augmentation Fund” (ERAF) as determined by the State.
- ***City Property Tax Distribution Policy.*** Property taxes are recorded in the General Fund as general purpose revenue. Transfers are made from the General Fund as needed to support expenditures in the Capital Outlay, Open Space Protection, Fleet Replacement, Information Technology Replacement, Major Facility Replacement and Debt Service Funds. Property taxes receivable at June 30, 2018 have been accrued since they will be collected within 60 days subsequent to year-end.

City of San Luis Obispo, California
Notes to the Financial Statements
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Note 4: Due from Other Governments

The following is a summary of amounts due to the City from other governmental agencies at June 30, 2018:

	<u>Other Agencies</u>	<u>Total</u>
Enterprise Funds:		
Transit Fund	\$ 1,441,620	\$ 1,441,620

Note 5: Capital Assets

GASB standards require that the City report in the government-wide statements the value of all capital assets net of accumulated depreciation, including infrastructure assets, in accordance with GAAP. Infrastructure assets are defined as long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.

The minimum requirement for compliance with GASB standards is to provide infrastructure valuations for all assets constructed, acquired, or placed into service on or after July 1, 1980. Relevant assets for the City were valued at one of two dates: 1) the original date of construction, if available, or 2) the incorporation date of the City. Each asset was reviewed to determine the adequacy of the data to value the asset prior to July 1, 1980 using historical cost or estimated historical cost.

Capital assets activity for the fiscal year ended June 30, 2018 was as follows:

	<u>Balance June 30, 2017</u>	<u>Increases</u>	<u>Decreases / Transfers</u>	<u>Balance June 30, 2018</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 32,020,193	\$	\$	\$ 32,020,193
Construction in progress	8,144,539	9,624,925	(7,649,122)	10,120,342
Public art	646,630			646,630
Total capital assets not being depreciated	<u>40,811,362</u>	<u>9,624,925</u>	<u>(7,649,122)</u>	<u>42,787,165</u>
Capital assets being depreciated:				
Infrastructure	177,880,842	4,447,671		182,328,513
Accumulated Depreciation	(54,481,340)	(3,826,005)		(58,307,345)
Buildings and improvements	36,521,249	553,592		37,074,841
Accumulated Depreciation	(18,601,561)	(994,596)		(19,596,157)
Equipment	28,421,892	2,647,859	(302,156)	30,767,595
Accumulated Depreciation	(17,224,826)	(1,568,575)	295,259	(18,498,142)
Total capital assets being depreciated, net	<u>152,516,256</u>	<u>1,259,946</u>	<u>(6,897)</u>	<u>153,769,305</u>
Governmental activities, capital assets, net	<u>193,327,618</u>	<u>10,884,871</u>	<u>(7,656,019)</u>	<u>196,556,470</u>

City of San Luis Obispo, California
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Note 5: Capital Assets (Continued)

	Balance June 30, 2017	Increases	Decreases / Transfers	Balance June 30, 2018
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,069,495	\$	\$	\$ 9,069,495
Construction in progress	12,326,008	8,824,630	(3,233,242)	17,917,396
Public art	74,100			74,100
Total capital assets not being depreciated	<u>21,469,603</u>	<u>8,824,630</u>	<u>(3,233,242)</u>	<u>27,060,991</u>
Capital assets being depreciated:				
Infrastructure	213,298,498	1,860,797		215,159,295
Accumulated Depreciation	(74,014,176)	(5,341,225)		(79,355,401)
Buildings and improvements	30,102,796	46,430		30,149,226
Accumulated Depreciation	(12,919,950)	(659,794)		(13,579,744)
Equipment	18,833,741	1,326,015	(60,875)	20,098,881
Accumulated Depreciation	(17,631,554)	(1,060,800)	60,875	(18,631,479)
Total capital assets being depreciated, net	<u>157,669,355</u>	<u>(3,828,577)</u>	<u>-</u>	<u>153,840,778</u>
Business-type activities, capital assets, net	<u>179,138,958</u>	<u>4,996,053</u>	<u>(3,233,242)</u>	<u>180,901,769</u>
Total Government-wide	<u>\$ 372,466,576</u>	<u>\$ 15,880,924</u>	<u>\$ (10,889,261)</u>	<u>\$ 377,458,239</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Public safety	\$ 936,559
Transportation	3,253,461
Culture and recreation	540,567
Community development	33,460
General government	1,625,129
Total depreciation - governmental activities	<u>6,389,176</u>
Business-type activities:	
Water	2,645,460
Sewer	3,046,316
Parking	649,493
Transit	720,550
Total depreciation - business-type activities	<u>7,061,819</u>
Total Government-wide	<u>\$ 13,450,995</u>

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Notes to the Financial Statements
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Note 6: Long-Term Debt

Summary of Long-Term Debt

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
Governmental activities:					
2005 Revenue refunding bonds	\$ 3,510,000	\$	\$ (3,510,000)	\$ -	\$
2006 Lease revenue bonds	5,729,300		(5,729,300)	-	
2009 Lease revenue bonds	5,319,175		(5,319,175)	-	
2012 Lease revenue refunding bonds	3,960,000		(235,000)	3,725,000	245,000
2014 Lease revenue bonds	7,285,000		(155,000)	7,130,000	160,000
2018 Lease revenue refunding bonds		11,072,775		11,072,775	818,750
	<u>25,803,475</u>	<u>11,072,775</u>	<u>(14,948,475)</u>	<u>21,927,775</u>	<u>1,223,750</u>
Add: Unamortized bond premium	525,065	1,069,923	(38,313)	1,556,675	
Total revenue bonds	<u>26,328,540</u>	<u>12,142,698</u>	<u>(14,986,788)</u>	<u>23,484,450</u>	<u>1,223,750</u>
Lease-purchase financing	1,898,652	330,000	(628,883)	1,599,769	761,963
Compensated absences	2,422,613	2,468,124	(2,422,613)	2,468,124	1,519,520
Conservation Loan	<u>591,647</u>		<u>(88,546)</u>	<u>503,101</u>	<u>89,434</u>
Total long-term debt, governmental activities	<u>\$ 31,241,452</u>	<u>\$ 14,940,822</u>	<u>\$ (18,126,830)</u>	<u>\$ 28,055,444</u>	<u>\$ 3,594,667</u>
Business-type activities:					
2006 Lease revenue bonds	\$ 6,725,700	\$	\$ (6,725,700)	\$ -	\$
2006 Water revenue bonds	12,975,000		(455,000)	12,520,000	475,000
2009 Lease revenue bonds	960,840		(960,840)	-	
2012 Water revenue refunding bonds	2,990,000		(450,000)	2,540,000	470,000
2018 Lease revenue refunding bonds		5,832,225		5,832,225	431,250
	<u>23,651,540</u>	<u>5,832,225</u>	<u>(8,591,540)</u>	<u>20,892,225</u>	<u>1,376,250</u>
Add: Unamortized bond premium	421,168	563,548	(61,737)	922,979	
Total revenue bonds	<u>24,072,708</u>	<u>6,395,773</u>	<u>(8,653,277)</u>	<u>21,815,204</u>	<u>1,376,250</u>
Loans	16,709,160		(965,352)	15,743,808	993,026
Installment sale agreements	7,366,468		(583,354)	6,783,114	601,211
Compensated absences	<u>653,492</u>	<u>637,526</u>	<u>(653,492)</u>	<u>637,526</u>	<u>448,180</u>
Total long-term debt, business-type activities	<u>48,801,828</u>	<u>7,033,299</u>	<u>(10,855,475)</u>	<u>44,979,652</u>	<u>3,418,667</u>
Total Government-wide	<u>\$ 80,043,280</u>	<u>\$ 21,974,121</u>	<u>\$ (28,982,305)</u>	<u>\$ 73,035,096</u>	<u>\$ 7,013,334</u>

Compensated absences in the governmental funds are generally liquidated by the General Fund on a pay as you go basis. Total interest incurred during the year ended June 30, 2018 was \$2,961,156 of which \$279,951 was capitalized into construction in progress. See Note 11 for detail of estimated claims and liabilities.

City of San Luis Obispo, California
Notes to the Financial Statements
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Note 6: Long-Term Debt (Continued)

The San Luis Obispo Capital Improvement Board has entered into a number of lease agreements with the City of San Luis Obispo wherein the City is obligated to make all debt service payments. The transactions between the Board and the City have been eliminated from these financial statements.

Governmental Activities Summary:

Revenue Bonds

2012 Refunding Lease Revenue Bonds. In 2012, the Board issued refunding lease revenue bonds in the amount of \$5,050,000 to refinance the outstanding 2001 lease revenue bonds, Series C. The purpose of these bonds was to purchase property and build athletic fields, purchase property for police station expansion, and purchase Downtown Plan properties. The bonds bear interest from 2.0% to 4.0% and are due in annual installments on December 1 through December 1, 2029 that range from \$210,000 to \$390,000. At June 30, 2018, the principal amount outstanding on the bonds was \$3,725,000. The bond indenture agreement specifies reserve requirements equal to the maximum debt service in any particular year to be held in the Trustee's reserve funds. The reserve requirement has been met for the year ended June 30, 2018.

In the Statement of Net Position, the 2012 bonds include the related unamortized premium which is being amortized and charged to expense over the term of the 2012 bonds. At June 30, 2018, the unamortized premium was \$219,775.

2014 Lease Revenue Bonds. In 2014, the Board issued lease revenue bonds in the amount of \$7,580,000 to finance the expansion of the Los Osos Valley Road interchange at U.S. 101. The bonds bear interest from 3.00% to 4.00% and are due in annual installments on November 1 through November 1, 2044 that range from \$145,000 to \$410,000. At June 30, 2018, the principal amount outstanding on the bonds was \$7,130,000. The bond indenture agreement specifies reserve requirements equal to the maximum debt service in any particular year to be held in the Trustee's reserve funds. The reserve requirement has been met for the year ended June 30, 2018.

In the Statement of Net Position, the 2014 bonds include the related unamortized premium which is being amortized and charged to expense over the term of the 2014 bonds. At June 30, 2018, the unamortized premium was \$187,850.

2018 Lease Revenue Refunding Bonds. In 2018, the Board issued lease revenue bonds in the amount of \$16,905,000 to advance refund the outstanding 2005 revenue refunding bonds and the 2006 and 2009 lease revenue bonds, which were originally issued to construct several high priority capital improvement projects and to finance the costs of acquisition and construction of public parking facilities, and the public safety communications and emergency operations center project. Of the original bond issuance, \$11,072,775 was used for financing governmental activities related to the original bonds and the remainder was used for business-type activities. The bonds bear interest from 3.00% to 5.00% and are due in annual installments on June 1, through June 1, 2039 that range from \$255,000 to \$1,250,000. At June 30, 2018, the principal amount outstanding that pertains to governmental activities was \$11,072,775 of the total \$16,905,000 outstanding.

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Note 6: Long-Term Debt (Continued)

In the Statement of Net Position, the 2018 bonds include the related unamortized premium which is being amortized and charged to expense over the term of the 2018 bonds. At June 30, 2018, the unamortized premium was \$1,149,050.

The refunding resulted in a difference of \$1,707,000 between the reacquisition price and the net carrying value of the old debt and is being amortized to expense through 2039. The City completed the refunding to reduce its total debt service payments over the next 21 years by \$3,838,338 and to obtain an economic gain of \$2,960,278 (difference between the present values of the old and the new debt service payments).

At June 30, 2018, the aggregate maturities of the aforementioned governmental activities revenue bonds were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,223,750	\$ 896,776	\$ 2,120,526
2020	925,900	830,723	1,756,623
2021	960,550	794,412	1,754,962
2022	998,475	755,890	1,754,365
2023	1,039,850	715,750	1,755,600
2024-2028	5,491,675	2,887,759	8,379,434
2029-2033	4,801,675	1,724,463	6,526,138
2034-2038	3,749,050	865,710	4,614,760
2039-2043	1,931,850	348,294	2,280,144
2044-2045	805,000	32,500	837,500
	<u>\$ 21,927,775</u>	<u>\$ 9,852,277</u>	<u>\$ 31,780,052</u>

Lease-Purchase Financing

Fire Apparatus. In 2010 the Board obtained lease-purchase financing in the amount of \$1,080,000 to purchase a fire truck. The gross amount of assets under this lease is \$1,047,927 million with accumulated depreciation of \$423,494 included in equipment at June 30, 2018. Amortization of the equipment is included in depreciation expense. The lease agreement bears an interest rate of 2.99% due in annual installments on February 1 through February 1, 2020 that range from \$80,000 to \$125,100. At June 30, 2018 the principal amount outstanding is \$245,000.

Fire Engine. In 2013 the City obtained lease-purchase financing in the amount of \$548,351 to purchase a fire truck. The gross amount of assets under this lease is \$550,738 with accumulated depreciation of \$137,684 included in equipment at June 30, 2018. Amortization of the equipment is included in depreciation expense. The lease agreement bears an interest rate of 6.00% due in annual installments on July 11 through July 11, 2018 that range from \$106,000 to \$114,000. At June 30, 2018 the principal amount outstanding is \$108,625.

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Notes to the Financial Statements
June 30, 2018
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Note 6: Long-Term Debt (Continued)

Computers. In 2016 the City obtained lease-purchase financing in the amount of \$688,500 to purchase mobile data computers, hardware to install the computers in City vehicles, installation costs, and wireless network components. The gross amount of assets under this lease is \$714,611 with accumulated depreciation of \$95,281 included in equipment at June 30, 2018. Amortization of the equipment is included in depreciation expense. The lease agreement bears an interest rate of 1.55% due in quarterly installments beginning December 1, 2015 through September 1, 2019 in the amount of \$44,000. At June 30, 2018 the principal amount outstanding is \$219,752.

Fire Engine and Street Sweeper. In 2017 the City obtained lease-purchase financing in the amount of \$1,141,468 to purchase a fire truck and street sweeper. The gross amount of assets under this lease is \$1,142,712 with accumulated depreciation of \$85,719 included in equipment at June 30, 2018. Amortization of the equipment is included in depreciation expense. The lease agreement bears an interest rate of 1.69% due in annual installments on April 28 through April 28, 2021 of \$240,067. At June 30, 2018 the principal amount outstanding is \$696,392.

Street Sweeper. In 2018 the City obtained lease-purchase financing in the amount of \$330,000 to purchase a street sweeper. The gross amount of assets under this lease is \$303,400 included in equipment at June 30, 2018. As the asset was placed into service on June 30, 2018, there was no accumulated depreciation and related expense for the year ended June 30, 2020. The lease agreement bears an interest rate of 1.94% due in annual installments on June 1 through December 1, 2020 of \$70,614. At June 30, 2018 the principal amount outstanding is \$330,000.

At June 30, 2018, the aggregate maturities of the aforementioned governmental activities lease-purchase financing were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 761,963	\$ 39,225	\$ 801,188
2020	534,040	20,353	554,393
2021	303,766	6,916	310,682
	<u>\$ 1,599,769</u>	<u>\$ 66,494</u>	<u>\$ 1,666,263</u>

2014 Energy Sources Conservation State Loan

In 2014, the City obtained a note in the amount of \$850,775 for the purchase of streetlights. The note bears an interest rate of 1% due in semi-annual installments on December 22 and June 22 through December 22, 2023 in the amount of \$92,242. At June 30, 2018 the principal amount outstanding is \$503,101.

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Notes to the Financial Statements
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Note 6: Long-Term Debt (Continued)

At June 30, 2018, the aggregate maturities of the aforementioned governmental activities conservation loan is as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 89,434	\$ 4,809	\$ 94,243
2020	90,320	3,922	94,242
2021	91,236	3,007	94,243
2022	92,150	2,092	94,242
2023	93,074	1,168	94,242
2024	46,887	234	47,121
	<u>\$ 503,101</u>	<u>\$ 15,232</u>	<u>\$ 518,333</u>

Business-Type Activities Summary:

Revenue Bonds

2006 Water Revenue Bonds. In 2006, the City issued water revenue bonds in the amount of \$16,905,000 to construct improvements to the water treatment plant. The bonds bear interest from 3.75% to 4.625% and are due in annual installments on June 1 through June 1, 2036 that range from \$235,000 to \$985,000. At June 30, 2018, the principal amount outstanding on the bonds was \$12,520,000. The bond indenture agreement specifies reserve requirements equal to the maximum debt service in any particular year to be held in the Trustee’s reserve funds. The reserve requirement has been met for the year ended June 30, 2018.

The City has pledged future water system revenues, net of specific operating expenses, to repay the bonds on parity with a pledge that services all parity obligations. The bonds are payable solely from water customer net revenues and any moneys in the bond service fund and the reserve fund. For the year ended June 30, 2018, principal and interest paid and total customer net revenues were \$1,033,548 and \$4,298,899, respectively.

2012 Water Revenue Refunding Bonds. In 2012, the City issued water revenue refunding bonds in the amount of \$4,960,000 to refund the 2002 water revenue bonds, which were originally issued to fund water system improvements. The bonds bear interest from 2.0% to 4.0% and are due in annual installments on June 1 through June 1, 2023 that range from \$340,000 to \$550,000. At June 30, 2018, the principal amount outstanding on the bonds was \$2,540,000. The bond indenture agreement specifies reserve requirements equal to the maximum debt service in any particular year to be held in the Trustee’s reserve funds. The reserve requirement has been met for the year ended June 30, 2018.

In the Statement of Net Position, the 2012 bonds include the related unamortized premium which is being amortized and charged to expense over the term of the 2012 bonds. At June 30, 2018, the unamortized premium was \$339,353.

The City has pledged future water system revenues, net of specific operating expenses, to repay the bonds on parity with a pledge that services all parity obligations. The bonds are payable solely from water customer net revenues and any

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Note 6: Long-Term Debt (Continued)

moneys in the bond service fund and the reserve fund. For the year ended June 30, 2018, principal and interest paid and total customer net revenues were \$569,600 and \$4,298,899, respectively.

2018 Lease Revenue Refunding Bonds. In 2018, the Board issued lease revenue bonds in the amount of \$16,905,000 to advance refund the outstanding 2005 revenue refunding bonds and the 2006 and 2009 lease revenue bonds, which were originally issued to construct several high priority capital improvement projects and to finance the costs of acquisition and construction of public parking facilities, and the public safety communications and emergency operations center project. Of the original bond issuance, \$5,832,225 was used for financing business-type activities related to the original bonds and the remainder was used for governmental activities. The bonds bear interest from 3.00% to 5.00% and are due in annual installments on June 1, through June 1, 2039 that range from \$255,000 to \$1,250,000. At June 30, 2018, the principal amount outstanding that pertains to governmental activities was \$5,832,225 of the total \$16,905,000 outstanding.

In the Statement of Net Position, the 2018 bonds include the related unamortized premium which is being amortized and charged to expense over the term of the 2018 bonds. At June 30, 2018, the unamortized premium was \$583,626.

The refunding resulted in a difference of \$1,707,000 between the reacquisition price and the net carrying value of the old debt and is being amortized to expense through 2039. The City completed the refunding to reduce its total debt service payments over the next 21 years by \$3,838,338 and to obtain an economic gain of \$2,960,278 (difference between the present values of the old and the new debt service payments).

At June 30, 2018, the aggregate maturities of the business-type revenue bonds were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,376,250	\$ 918,642	\$ 2,294,892
2020	1,244,100	852,013	2,096,113
2021	1,299,450	801,269	2,100,719
2022	1,356,525	748,003	2,104,528
2023	1,405,150	692,138	2,097,288
2024-2028	4,648,325	2,757,632	7,405,957
2029-2033	5,428,325	1,632,039	7,060,364
2034-2038	4,040,950	379,169	4,420,119
2039	93,150	3,256	96,406
	<u>\$ 20,892,225</u>	<u>\$ 8,784,161</u>	<u>\$ 29,676,386</u>

City of San Luis Obispo, California
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Note 6: Long-Term Debt (Continued)

Loans

2001 CIEDB State Loan. In 2001, the City obtained a note in the amount of \$7,765,900 to go towards expanding the March Street parking structure. The note bears an interest rate of 3.37% due in semi-annual installments on February 1 and August 1 through August 31, 2031 that range from \$169,000 to \$396,000. At June 30, 2018, the principal amount outstanding on the loan was \$4,590,132.

2004 State Water Control Board Loan. In 2004, the City obtained a note in the amount of \$8,883,200 to go towards the water reuse project. The note bears an interest rate of 2.5% due in annual installments on August 31 through August 31, 2024 that range from \$296,000 to \$512,600. At June 30, 2018, the principal amount outstanding on the loan was \$3,336,333.

2009 Infrastructure and Economic Development Bank Loan– Tank Farm Lift Station. In 2009, the City obtained a note in the amount of \$10,000,000 to go towards the Tank Farm lift station and main sewer project. The note bears an interest rate of 3.25% due in annual installments on December 1 through December 1, 2037 that range from \$212,600 to \$520,744. At June 30, 2018, the principal amount outstanding on the loan was \$7,817,343.

The City has pledged future sewer system revenues, net of specific operating expenses, to repay the loan. The loan is payable solely from sewer customer net revenues. For the year ended June 30, 2018, principal and interest paid and total customer net revenues were \$533,205 and \$7,135,830, respectively.

At June 30, 2018, the aggregate maturities of the aforementioned business-type loans were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 993,026	\$ 386,268	\$ 1,379,294
2020	1,021,502	368,567	1,390,069
2021	1,050,806	350,305	1,401,111
2022	1,080,963	331,466	1,412,429
2023	1,111,897	312,030	1,423,927
2024-2028	4,441,946	1,246,379	5,688,325
2029-2033	3,598,683	665,699	4,264,382
2034-2038	2,444,985	203,626	2,648,611
	<u>\$ 15,743,808</u>	<u>\$ 3,864,340</u>	<u>\$ 19,608,148</u>

Installment Sale Agreements

2008 Suntrust Bond. In 2008, the Board entered into an installment sale contract financing \$2,050,000 to finance the Tank Farm lift station. The terms state an interest rate of 4.2% due in annual installments through 2023 that range from \$372,900 to \$607,200. At June 30, 2018, the principal amount outstanding on the loan was \$970,000.

City of San Luis Obispo, California
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Note 6: Long-Term Debt (Continued)

US Bank 2014 Wastewater Lease. In 2013, the Board entered into an installment sale contract financing \$7,479,000 to finance the acquisition and installation of improvements to its water reclamation facility. The note bears an interest rate of 2.8994% due in annual installments on June 1 and December 1 through December 1, 2028 that range from \$372,900 to \$607,200. At June 30, 2018, the principal amount outstanding on the loan was \$5,813,114.

At June 30, 2018, the aggregate maturities of the aforementioned business-type installment sale agreements were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 601,211	\$ 199,660	\$ 800,871
2020	619,441	179,994	799,435
2021	643,055	292,673	935,728
2022	662,064	138,685	800,749
2023	681,479	117,026	798,505
2024-2028	2,968,679	298,622	3,267,301
2029	607,185	8,771	615,956
	<u>\$ 6,783,114</u>	<u>\$ 1,235,431</u>	<u>\$ 8,018,545</u>

There are a number of limitations and restrictions contained in the various bond indentures. City management believes that the City has complied with the indenture requirements. Security for revenue bonds is paid from receipts or net income and amounts in funds or accounts established under bond indentures.

Note 7: Pension Plans

The City contributes to the California Public Employees' Retirement System (CalPERS) for its employees. The City participates in one agent-multiple employer plan for its miscellaneous employees (Miscellaneous Plan) and one cost-sharing employer plan for its safety employees (Safety Plan). The Miscellaneous Plan is described in the first section of the footnote under Agent-Multiple Employer Plan and the Safety Plan follows and is described in the second section of the footnote under Cost-Sharing Employer Plan. The portion of the Miscellaneous Plan that has been allocated to the Whale Rock Commission, an Agency Fund, is included in the Miscellaneous Plan summaries in this footnote. A summary of the government-wide balances for all Plans at June 30, 2018 are as follows:

	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Miscellaneous Plan	\$ 81,286,703	\$ 16,273,280	\$ 386,974
Safety Plan	71,364,346	19,833,986	1,820,931
Less: Whale Rock Agency Fund	(1,377,969)	(256,455)	(6,462)
Total Government-Wide	<u>\$ 151,273,080</u>	<u>\$ 35,850,811</u>	<u>\$ 2,201,443</u>

Note 7: Pension Plans (Continued)

Agent-Multiple Employer Plan

General Information about the Pension Plan

Plan Descriptions. As noted above, the City contributes to CalPERS for a defined benefit pension plan for all qualified permanent and probationary employees. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment for Tier 1 employees. Tier 2 and PEPRAs employees are based on a three-year average of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The Miscellaneous Plan's provisions and benefits by tier in effect at June 30, 2018, are summarized as follows:

	Tiers within the Miscellaneous Plan		
	Prior to December 6, 2012	On or after December 6, 2012	On or after January 1, 2013
Hire date			
Benefit formula	2.7% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.632%	7.632%	6.25%
Required employer contribution rates	30.352%	30.352%	30.352%

While the City's Miscellaneous Plan is not closed to new entrants, the component option of 2.7% @ 55 is closed to new entrants. Classic Members as defined by CalPERS entering the City's Miscellaneous Plan would enter the 2% @ 60 option while New Members as defined by CalPERS entering the City Miscellaneous Plan would enter the 2% @ 62 option.

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Note 7: Pension Plans (Continued)

Employees Covered. As of the measurement date June 30, 2017, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	<u>Miscellaneous Plan</u>
Inactive employees or beneficiaries currently receiving benefits	377
Inactive employees entitled to but not yet receiving benefits	208
Active employees	<u>325</u>
Total	<u>910</u>

Contributions. Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Net Pension Liability

The City’s net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions. The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Plan</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	0.0715
Inflation	0.0275
Payroll Growth	Varies by Entry Age and Service (1)
Projected Salary Increase	Varies by Entry Age and Service (1)
Mortality	(2)
Post Retirement Benefit Increase	(3)

- (1) Depending on age, service and type of employment.
- (2) Derived using CalPERS’ Membership Data for all Funds
- (3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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Note 7: Pension Plans (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Change in Assumptions. The discount rate reduced from 7.65% to 7.15% for the June 30, 2017 measurement date.

Discount Rate. The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

City of San Luis Obispo, California
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Note 7: Pension Plans (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

<u>Asset Class</u>	<u>Miscellaneous Plan</u>		
	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Miscellaneous Plan follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/ (Asset)</u>
Balance at June 30, 2016	\$ 189,675,644	\$ 117,130,354	\$ 72,545,290
Changes during the year:			
Service cost	4,124,832		4,124,832
Interest on the total pension liability	14,197,897		14,197,897
Changes in assumptions	11,219,603		11,219,603
Differences between expected and actual experience	694,843		694,843
Net plan to plan resource movement		(2,936)	2,936
Contribution - employer		6,776,849	(6,776,849)
Contribution - employee		1,841,331	(1,841,331)
Net investment income		13,053,453	(13,053,453)
Benefit payments, including refunds of employee contributions	(10,161,053)	(10,161,053)	-
Administrative expense		(172,935)	172,935
Net changes	20,076,122	11,334,709	8,741,413
Balance at June 30, 2017	\$ 209,751,766	\$ 128,465,063	\$ 81,286,703

City of San Luis Obispo, California
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Note 7: Pension Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City for the Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous Plan</u>	
1% Decrease		6.15%
Net Pension Liability	\$	108,191,781
Current Discount Rate		7.15%
Net Pension Liability	\$	81,286,703
1% Increase		8.15%
Net Pension Liability	\$	58,953,046

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City’s pension expense for the Miscellaneous Plan was \$10,029,177, of which \$9,861,690 was recognized pension expense for the City and \$167,487 was recognized as pension expense for Whale Rock Agency Fund. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 6,698,266	\$
Changes in assumptions	7,479,735	
Differences between expected and actual experiences	463,229	386,974
Net differences between projected and actual earnings on plan investments	1,632,050	
Total	<u>\$ 16,273,280</u>	<u>\$ 386,974</u>

City of San Luis Obispo, California
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Note 7: Pension Plans (Continued)

The deferred outflows of resources related to contributions subsequent to the measurement date of \$6,698,266 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous Plan	
Measurement Period	
Ended June 30	Amount
2018	\$ 3,504,893
2019	5,926,600
2020	706,741
2021	(950,194)
	<u>\$ 9,188,040</u>

Payable to the Pension Plan

At June 30, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

Cost-Sharing Employer Plan

General Information about the Pension Plan

Plan Descriptions. As noted above, the City contributes to CalPERS for a defined benefit pension plan for all qualified permanent and probationary employees. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The City participates in five tiers of the safety cost-sharing multiple-employer plan. The Safety Plan tiers consist of Safety Tier 1 (police and fire), Police Tier 2, Fire Tier 2, Police PEPRA and Fire PEPRA.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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Note 7: Pension Plans (Continued)

The Plan's provisions and benefits within each tier in effect at June 30, 2018, are summarized as follows:

	Safety Tier 1		Safety Tier 2	
	Police	Fire	Police	Fire
	Prior to December 6, 2012	Prior to August 30, 2012	On or after December 6, 2012	On or after August 30, 2012
Hire date				
Benefit formula	3.0% @ 50	3.0% @ 50	2.0% @ 50	3.0% @ 55
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50-55	50 - 55
Monthly benefits, as a % of eligible compensation	3.00%	3.00%	2.0% to 2.7%	2.4% to 3%
Required employee contribution rates	8.988%	8.988%	8.933%	8.982%
Required employer contribution rates	21.418%	21.418%	16.498%	18.487%
	Police PEPRA	Fire PEPRA		
	On or after January 1, 2013	On or after January 1, 2013		
Hire date				
Benefit formula	2.7% @ 57	2.7% @ 57		
Benefit vesting schedule	5 years service	5 years service		
Benefit payments	monthly for life	monthly for life		
Retirement age	50-57	50-57		
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%		
Required employee contribution rates	12.250%	12.250%		
Required employer contribution rates	12.729%	12.729%		

The Safety Tier 1 is closed to new entrants.

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1st following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30th by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Members of the Police Officers Association contribute 3% of pay toward the cost of the City's share of the annual required contribution.

For the year ended June 30, 2018, the contributions recognized as part of pension expense were as follows:

Contributions - employer	<u>\$ 4,650,871</u>
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Note 7: Pension Plans (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability as follows:

Plan's Proportionate Share of the Net Pension Liability	<u>\$ 71,364,346</u>
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The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability as of the measurement dates of June 30, 2016 and 2017 was as follows:

	<u>Proportionate Share</u>
Percentage share at 6/30/2016	1.251010%
Percentage share at 6/30/2017	1.251014%
Change - Increase/(Decrease)	<u>0.000004%</u>

For the year ended June 30, 2018, the City recognized pension expense of \$10,318,082 for the Safety Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Safety Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 5,910,345	\$ 626,803
Changes in assumptions	8,169,724	146,876
Differences between expected and actual experiences	563,332	146,876
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	2,654,481	
Net differences between projected and actual earnings on plan investments	1,781,320	
Adjustment due to differences in proportions	754,784	1,047,252
Total	<u>\$ 19,833,986</u>	<u>\$ 1,820,931</u>

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Note 7: Pension Plans (Continued)

Pension contributions subsequent to the measurement date of \$5,910,345 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Safety Plan	
Measurement Period	
Ended June 30	Amount
2018	\$ 3,848,109
2019	5,788,645
2020	3,508,267
2021	<u>(1,042,311)</u>
	<u>\$ 12,102,710</u>

Actuarial Assumptions. The total pension liabilities in the June 30, 2016 actuarial valuations for the Safety Plan was determined using the following actuarial assumptions:

	Safety Plan
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	0.0715
Inflation	0.0275
Projected Salary Increase	Varies by Entry Age and Service (1)
Post Retirement Benefit Increase	(2)
Mortality	(3)

- (1) Depending on age, service and type of employment.
- (2) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
- (3) Derived using CalPERS' Membership Data for all Funds

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 CalPERS Experience Study Report and Review of Actuarial Assumptions report available online.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can found on the CalPERS website under Forms and Publications.

Note 7: Pension Plans (Continued)

Change in Assumptions. The discount rate for PERF C was reduced from 7.65% to 7.15% for the June 30, 2017 measurement date.

Discount Rate. The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

City of San Luis Obispo, California
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Note 7: Pension Plans (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Safety Plan		
	Current Target Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	80.00%	2.27%
Inflation Sensitive	6.0%	60.00%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%

- (a) An expected inflation of 2.5% used for this period
- (b) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City’s proportionate share of the net pension liability, calculated using the discount rate for the Plans as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		6.15%
Net Pension Liability	\$	98,353,726
Current Discount Rate		7.15%
Net Pension Liability	\$	71,364,346
1% Increase		8.15%
Net Pension Liability	\$	49,301,873

Pension Plan Fiduciary Net Position. Detailed information about each safety plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

City of San Luis Obispo, California
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Note 8: Other Post-Employment Benefits (OPEB)

General Information about OPEB

Plan Description. The City’s primary other post-employment benefits (OPEB) cost obligation is for retiree health benefits under its election to participate in the CalPERS Health Benefit Program, an agent multiple-employer defined benefit OPEB plan, under the “unequal contribution option.” The City entered the CalPERS medical insurance program in 1993 under the Public Employees’ Medical and Hospital Care Act (PEMHCA). During the fiscal year ended June 30, 2009, the City entered into an agreement to participate in an irrevocable trust to provide a funding mechanism for retiree health benefits. The Trust, California Employers’ Retiree Benefit Trust (CERBT), is administered by CalPERS and managed by a separately appointed board, which is not under control of the City Council. This Trust is not considered a component unit of the City. The portion of the OPEB plan that has been allocated to the Whale Rock Commission, an Agency Fund, is included in the OPEB plan summaries in this footnote. A summary of the government-wide balances for the OPEB plan at June 30, 2018 is as follows:

	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB Plan	\$ 7,650,913	\$ 1,221,000	\$ 149,929
Less: Whale Rock Agency Fund	(127,770)	(7,010)	(2,504)
Total Government-Wide	<u>\$ 7,523,143</u>	<u>\$ 1,213,990</u>	<u>\$ 147,425</u>

Benefits Provided. The City provides post-employment health care insurance, in accordance with Memorandums of Understanding, to all employees who retire from the City upon or after attaining age 50 with at least 5 years of service or disability retirement. Miscellaneous retirees who are PEPRAs new hires are eligible at age 52. For each retiree enrolled in a CalPERS medical plan, the employer will pay the required statutory PEMHCA minimum, which is \$133 per month per employee in 2017-18 and \$136 per month per employee in 2018-19. This amount will increase with the health care component of CPI, as announced by the CalPERS Board each year. The retiree must pay the difference between the premium amount, which depends upon the medical plan benefits selected, and the employer-paid minimum. In addition, the City pays 50% of the premium up to the retiree’s age of 65 for three grandfathered executive management retirees hired prior to August 2000.

There is no OPEB provided to terminated vested employees. The employer-paid amount will continue to a surviving spouse if the retiree elects a CalPERS survivor annuity. There are no required employee contributions, although the retiree must pay the difference between the premium and the employer-paid amount. The employer is contributing the full Actuarially Determined Contribution.

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Note 8: Other Post-Employment Benefits (OPEB)

Employees Covered. At June 30, 2017, the measurement date, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	176
Inactive employees entitled to but	
not yet receiving benefit payments	163
Active employees	431
Total	770

Contributions. The contribution requirements of the plan members and the City are established and may be amended by the City. The City prefunds the plan through CERBT by contributing at least 100% of the annual required contribution. For the year ended June 30, 2018, the City’s contributions totaled \$1,221,000.

Net OPEB Liability

The City’s net OPEB liability for the Plan is measured as the total OPEB liability less the Plan’s fiduciary net position. The net OPEB liability of the Plan is measured as of June 30, 2017 using an annual actuarial valuation as of June 30, 2017. The principal assumptions and methods used to determine the net liability are described below.

Actuarial Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Contribution Policy	Contributes full ADC
Actuarial Assumptions:	
Discount Rate	6.75% at June 30, 2017 and 2016 same as expected long term rate of return
Expected Long-Term Rate of Return on Investments	6.75% net of expenses. Expected agency contributions projected to keep sufficient plan assets to pay all benefit terms.
General Inflation	2.75%
Mortality, Retirement, Disability, Termination	Rates from CalPERS 1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Society of Actuaries Scale MP-2017
Salary Increases	Aggregate - 3%
Medical Trend	Merit - CalPERS 1997-2015 Experience Study
	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years.
	Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Participation at Retirement	Currently covered: 70% Currently waived: 15%
ACA Excise Tax	Estimated by 2% load on Cash benefit payments.

City of San Luis Obispo, California
Notes to the Financial Statements
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Note 8: Other Post-Employment Benefits (OPEB)

Change in Assumptions. There were no changes in assumptions for the year ended June 30, 2018.

Discount Rate. The discount rate used to measure the total OPEB liability was 6.75% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the actuary performed a stress-test on the Plan that would most likely result in a discount rate that would be different from the actuarially-assumed discount rate. Based on the test, the Plan will not run out of assets. Therefore, the current 6.75% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.75% is applied to the Plan. The stress-test results are presented in the detailed actuarial report, which can be obtained from the City.

Investments. The following table reflects the long-term expected real rate of return of the Plan’s investments by asset class. The rates of return are presented as geometric means developed over a twenty year period. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Current Target Allocation (1)</u>	<u>Expected Real Rate of Return (2)</u>
Public Equity	57.0%	4.82%
Fixed Income	27.0%	1.47%
TIPS	5.0%	1.29%
Commodities	3.0%	84.00%
REITs	8.0%	3.76%
Assumed Long-Term Rate of Inflation		2.75%
Assumed Long-Term Investment Expenses		n/a
Expected Long-Term Net Rate of Return, Rounded		6.75%
Discount Rate (3)		6.75%

(1) Provided by CalPERS' Strategic Asset Allocation Analysis Overview in August 2014 - Strategy 1.

(2) Geometric Average

(3) The fiduciary net position is projected to be sufficient to make projected benefit payments, and the plan assets are expected to be invested using the strategy to achieve the expected return.

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Note 8: Other Post-Employment Benefits (OPEB)

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the fiscal year ended June 30, 2018 are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2016	\$ 12,651,572	\$ 4,345,728	\$ 8,305,844
Changes during the year:			
Service cost	450,125		450,125
Interest on the total pension liability	856,436		856,436
Contribution - employer		1,493,996	(1,493,996)
Net investment income		469,883	(469,883)
Benefit payments, including refunds of employee contributions	(827,500)	(827,500)	-
Administrative expense		(2,387)	2,387
Net changes	<u>479,061</u>	<u>1,133,992</u>	<u>(654,931)</u>
Balance at June 30, 2017	<u>\$ 13,130,633</u>	<u>\$ 5,479,720</u>	<u>\$ 7,650,913</u>

Sensitivity of Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability at the current discount rate, as well as what the net OPEB liability would be if it were calculated using a hypothetical discount rate that is one percentage point lower or one percentage point higher than the current rate.

1% Decrease	5.75%
Net OPEB Liability	\$ 9,421,138
Current Discount Rate	6.75%
Net OPEB Liability	\$ 7,650,913
1% Increase	7.75%
Net OPEB Liability	\$ 6,195,271

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Note 8: Other Post-Employment Benefits (OPEB)

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates. The following presents the net OPEB liability at current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using hypothetical healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rate.

1% Decrease		
Net OPEB Liability	\$	6,055,174
Current Trend		
Net OPEB Liability	\$	7,650,913
1% Increase		
Net OPEB Liability	\$	9,617,832

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB Plan’s fiduciary net position is available in the separately issued CalPERS financial reports on the CERBT.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City’s OPEB expense was \$988,994, of which \$972,478 was recognized as OPEB expense for the City and \$16,516 was recognized as OPEB expense for the Whale Rock Agency Fund. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 1,221,000	\$
Net differences between projected and actual earnings on plan investments		149,929
Total	<u>\$ 1,221,000</u>	<u>\$ 149,929</u>

City of San Luis Obispo, California
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June 30, 2018
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Note 8: Other Post-Employment Benefits (OPEB)

OPEB contributions subsequent to the measurement date of \$1,221,000 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2019	\$ (37,482)
2020	(37,482)
2021	(37,482)
2022	(37,483)
	<u>\$ (149,929)</u>

Payable to the OPEB Plan

At June 30, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

Note 9: Interfund Transactions

Interfund receivable and payable balances as of June 30, 2018 consist of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 59,274	\$
Nonmajor Governmental Funds:	<u> </u>	<u>59,274</u>
Total	<u>\$ 59,274</u>	<u>\$ 59,274</u>

Interfund receivables and payables include temporary negative cash balances that result from the timing of cash flows at year end and the time lag between the dates that transactions are recorded in the accounting system and payment between funds are made. Liquidation of interfund receivables and payables typically occurs in the first quarter of the subsequent fiscal year. Interfund balances between governmental funds are not included in the government-wide Statement of Net Position.

Interfund transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due or to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. This may include amounts provided as matching funds for various grant programs.

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Notes to the Financial Statements
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Note 9: Interfund Transactions (Continued)

Interfund transfers for the year ended June 30, 2018 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 7,600,244	\$ 13,570,369
Nonmajor Governmental Funds	12,214,900	5,046,748
Enterprise Funds		<u>1,198,027</u>
Total	<u>\$ 19,815,144</u>	<u>\$ 19,815,144</u>

Note 10: Joint Ventures, Jointly Governed Organizations and Operating Agreements

The City participates in three multi-governmental organizations: the Whale Rock Commission, the San Luis Obispo Regional Transit Authority, and the San Luis Obispo Council of Governments. The City also has an operating agreement related to Nacimiento Water Supply Project. The following provides a general description of each of these agencies and operating agreements along with a summary of financial information and indebtedness:

Whale Rock Commission

General Description. The Whale Rock Commission (Commission) was established on December 12, 1960 to govern the operations of the Whale Rock Reservoir. The Commission is composed of six voting members and two non-voting members: three voting members are appointed by the City; one is appointed by California Polytechnic State University; one by California Men's Colony; and one by the Director of Finance, State of California. The two non-voting members are position appointments: the Director of Water Resources, State of California; and the Water Superintendent, City of San Luis Obispo. The Commission is authorized by its respective agencies to establish policies for the operation of the Reservoir, to contract for the sale of excess water, and to approve the annual budget.

The City, in accordance with established policies of the Commission, operates and maintains the Reservoir; prepares and recommends the annual budget; and maintains the fiscal records and funds of the Commission. The Whale Rock Agency Fund is used to account for the Commission's ongoing operating activities. Ownership in the Reservoir is as follows: 55.05%, City of San Luis Obispo; 33.71%, California Polytechnic State University; and 11.24%, California Men's Colony. The City's share of the Commission's expenses are recorded as expenses of the Water Fund. All receipts and disbursements of the Commission are included in an Agency Fund.

Financial Information and Indebtedness. In 1959, the City issued general obligation bonds to secure a future water supply to City residents. Some of the proceeds from the bonds were used to participate with the State of California in the development of the Reservoir. Participation, which is in proportion to the original investment, includes continued operation and maintenance of the facilities. Such indebtedness was directly attributable to provision of water service, and as such, all related indebtedness was recorded in the City's Water Enterprise Fund. These bonds matured in August 1999.

City of San Luis Obispo, California
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Note 10: Joint Ventures, Jointly Governed Organizations and Operating Agreements (Continued)

The City's original investment in the Reservoir project aggregates \$3,900,000, and was amortized on a straight-line basis over thirty-five years. Separate financial statements are available from the Whale Rock Commission, 879 Morro Street, San Luis Obispo, CA 93401.

The following segment financial information for the Whale Rock Commission and the Water Fund's related investment in the joint venture is presented as of and for the year ended June 30, 2018:

	<u>Joint Venture</u>	<u>City's Investment in Joint Venture</u>
Total assets	\$ 3,514,493	\$ 1,934,700
Total liabilities	<u>1,602,215</u>	<u>882,000</u>
Fund balance	<u>\$ 1,912,278</u>	<u>\$ 1,052,700</u>
Total revenues	\$ 1,580,223	\$ 869,900
Total expenditures	<u>1,199,999</u>	<u>660,600</u>
Excess of revenues over expenditures	<u>\$ 380,224</u>	<u>\$ 209,300</u>

San Luis Obispo Regional Transit Authority

General Description. The City is a member of the San Luis Obispo Regional Transit Authority (Authority), which was established on February 27, 1990, to operate a joint public transportation system. The Authority is composed of the Cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo, as well as the County of San Luis Obispo. The Authority is governed by a Board of Directors comprised of representatives of each of the seven cities, in addition to the five members of the Board of Supervisors. Each member of the Board has one vote. The Board has the authority to establish policies for the operation of the transit system and to adopt an annual budget. Each member makes an annual contribution to the agency for funding the adopted budget.

Financial Information. The City allocates a portion of its Transportation Development Act funds directly to the Authority. During 2017-18 the City contributed approximately \$694,798 of these funds to the Authority. The City's share of assets, liabilities, and fund equity has not been calculated by the Authority and therefore is not known to the City; however, based on the City's limited financial participation in the Authority, any such assets, liabilities, or equity are not believed to be significant to the basic financial statements taken as a whole. Separate financial statements are available from the Authority, 179 Cross Street, Suite A, San Luis Obispo, CA 93401.

Note 10: Joint Ventures, Jointly Governed Organizations and Operating Agreements (Continued)

San Luis Obispo Council of Governments

General Description. The San Luis Obispo Council of Governments (SLOCOG) was formed in 1968 through a joint powers agreement among the incorporated cities and the County of San Luis Obispo. It acts as the regional transportation planning agency for the county and is the metropolitan planning organization and the congestion management agency for the region. The governing board consists of twelve delegates, each with one vote that includes the five members of the County Board of Supervisors and one representative from each of the seven cities in the County.

Financial Information. A portion of the City's Transportation Development Act funds are directly allocated to the SLOCOG. The City's share of assets, liabilities, and fund equity has not been calculated by SLOCOG and therefore is not known to the City; however, based on the City's limited financial participation in SLOCOG, any such assets, liabilities, or equity are not believed to be significant to the basic financial statements taken as a whole. Separate financial statements are available from SLOCOG, 1114 Marsh Street, San Luis Obispo, CA 93401.

Nacimiento Water Supply Project

General Description. In 2004, the Council adopted a resolution approving an agreement with the San Luis Obispo County Flood Control and Water Conservation District (District) for the design, construction, and operations of the facilities required for the delivery of 5,482 acre-feet of water per year to the City of San Luis Obispo from the Nacimiento Water Supply Project (Project). The agreement includes conditions relative to the costs associated with the project and how these costs will be shared and paid by the participants in the project.

Each project participant, including the City, has entered into an agreement in order to provide for the development, financing, construction, operation and maintenance of the Project. The agreement is a "take-or-pay" obligation: the City is obligated to pay amounts specified in the agreement whether or not water is delivered. The City is required to pay an amount equal to its share of various capital expenses relating to the funding of design costs, engineering, planning, environmental mitigation, equipping new facilities and/or construction efforts, accounting services, project administration and management, installation, grading, razing and building the Project. The City is also required to pay for its share of operating and maintenance costs. The City records these payments as operating expenses in its water enterprise fund.

The City is required to make payments under its agreement solely from the revenues of its water system. The City agreed to establish and collect rates and charges from the customers of the City's water enterprise fund at levels sufficient to produce revenues equal to: (1) the costs of operating and maintaining the City's water enterprise; plus (2) the contract payments, calculated in accordance with the delivery contract including the amounts allocated as the City's share of capital projects installment debt service; plus (3) the coverage factor for the amounts allocated as the City's share of capital projects installment debt service; and (4) under certain circumstances, that the City understands and agrees that the delivery contract may impose a surcharge following the occurrence of any payment default.

Note 10: Joint Ventures, Jointly Governed Organizations and Operating Agreements (Continued)

Financial Information. In September 2007, the District sold water revenue bonds in the amount of \$196 million for the construction of the Project. These bonds were refinanced in August 2015. In addition, the District sold water revenue bonds in the amount of \$182 million. Based on the City’s share of construction costs, debt service and operating and maintenance, the following summarizes the City’s Project obligations for 2017-18 and five-year projections for the 2015 bonds and the 2007 bonds that will remaining outstanding following the refunding.

Nacimiento Water Supply Obligations	
Actual 2017	\$ 6,676,562
Projected:	
2019	4,985,758
2020	4,945,455
2021	4,948,523
2022	4,945,814
2023	4,948,105
2024-28	24,736,686
2029-33	24,729,601
2034-38	24,738,478
2039-41	15,686,526

Separate financial statements are available from the San Luis Obispo County Flood Control and Water Conservation District, 1050 Monterey Street, San Luis Obispo, CA 93401.

Note 11: Risk Management

California Joint Powers Insurance Authority

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code § 6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost reallocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

Note 11: Risk Management (Continued)

The total funding requirement for self-insurance programs is estimated using actuarial models and prefunded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Self-Insurance Programs of the Authority

General Liability and Workers' Compensation. The City is a member of the California Joint Powers Insurance Authority (CJPIA), which provides joint protection programs and group purchased insurance for public entities covering liability, errors and omission losses, auto liability, employment practices liability, crime, pollution, workers' compensation injuries and coverage for city-owned property. The City has a retained limit of \$500,000 per occurrence for liability and no retained limit for workers' compensation.

Liabilities of the City are reported when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether or not they are attributable to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

During the past three fiscal years, none of the protection programs experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured coverage in 2017-18. CJPIA covers workers' compensation claims up to a pooled limit of \$2 million per occurrence and provides excess coverage to statutory limits with a group purchased commercial insurance policy. The City pays an annual contribution to CJPIA and may share in any member refunds in the event that pooled funding exceeds the cost of pooled claims and claim-related expenses, or the City may be required to pay additional contributions based upon CJPIA's operating results.

Financial statements of CJPIA may be obtained from its administrative office located at 8081 Moody Street, La Palma, California 90623, or by calling (562) 467-8700.

Additional claims and lawsuits have been filed against the City in the normal course of business. It is reasonably possible that the City may be liable for claims not to exceed \$500,000. In the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2018
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Note 11: Risk Management (Continued)

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage from coverage in 2017-18.

Self-Insurance

The City retains the risk for workers' compensation losses incurred prior to joining the California Joint Powers Insurance Authority. Several member agencies of the now dissolved Central Coast Cities Self-Insurance Fund continue to participate in a non-risk sharing arrangement for claims management and the purchase of excess insurance. The participating agencies share a set of common guidelines and annually set aside premiums to pay their individual losses within their self-insured retentions. Losses are debited and investment income is credited to specific member accounts. The City has not incurred any losses in excess of insurance coverage. Claims liabilities in the governmental funds are generally liquidated by the General Fund.

The last actuarial study to determine the undiscounted outstanding claims liability was completed for the year ended June 30, 2018. The liability was estimated based on the actuarial study and considered claims asserted and paid, and the time limitations for filing claims. There are no estimates for claims incurred but not reported because the time limit for filing claims has elapsed. The estimated asset at June 30, 2018 is calculated as follows:

Self-insurance activity as of and for the year ended June 30, 2018 is summarized as follows:

Interest earnings	\$ 16,283
Claims expense	\$ (257,114)
Estimated liability for reported claims and settlement expenses	\$ (544,123)
Assets on deposit	1,245,181
Estimated unpaid claims asset	<u>\$ 701,058</u>

Changes in the balances of claim assets during the past two fiscal years are as follows:

Estimated unpaid claims asset June 30, 2016	\$ 679,220
Claim payments and related expenditures reimbursement	110,865
Change in estimated claims asset June 30, 2017	87,473
Interest earnings	8,756
Withdrawal	<u>(61,452)</u>
Estimated unpaid claims asset June 30, 2017	824,862
Claim payments and related expenditures reimbursement	(257,114)
Change in estimated claims asset June 30, 2018	117,027
Interest earnings	16,283
Estimated unpaid claims asset June 30, 2018	<u>\$ 701,058</u>

City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2018
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Note 12: Operating Lease

The City entered into an operating lease in October 2014 for the use of various office equipment. Total expense for the lease was \$20,629 for the year ended June 30, 2018. At June 30, 2018, the future minimum lease payments were as follows:

<u>For the Year Ending June 30,</u>	
2019	\$ 20,982
2020	<u>10,625</u>
	<u>\$ 31,607</u>

Note 13: Commitments and Contingencies

Litigation

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are adequately covered by insurance and not expected to result in a material adverse financial impact on the City.

Grant Awards

Under the terms of Federal and State grants, audits may be required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to requests for reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Regional Transit Authority Pension Expense

The City is presently a member agency of the San Luis Obispo Regional Transit Authority (see Note 10), a duly established Joint Powers Authority (JPA) comprised of all local cities and the County of San Luis Obispo. The City's contractual contribution to that entity is approximately 18%. The City was recently advised that the Regional Transit Authority is working with CalPERS to determine whether it is required to enroll certain previously unenrolled transit employees in the CalPERS pension system and whether the entity may be liable for obligations related to the failure to enroll those employees and make contributions on their behalf. The current amount of potentially unfunded liability for the JPA associated with this matter may reach as high as \$5 million. It is not known whether and to what extent member agencies may be obligated to increase contributions to address the retroactive liability and to fund contributions for previously unenrolled employees going forward. Resolution of the matter is expected in early 2019.

City of San Luis Obispo, California
Notes to the Financial Statements
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Note 14: Construction and Other Significant Commitments

Construction and other significant commitments as of June 30, 2018, including encumbrances outstanding at year-end, are as follows:

General Fund	\$ 3,640,896
Special Revenue Funds	186,864
Capital Project Funds	1,620,622
Enterprise Funds:	
Water	585,126
Sewer	4,860,676
Parking	87,258
Transit	8,308
	<hr/>
Total	\$ 10,989,750
	<hr/> <hr/>

Long-term construction contracts are billed and paid on a percentage completion basis by construction phase.

Note 15: Fund Balance Deficiency

At June 30, 2018, the City had a negative fund balance in the Downtown BID Fund of \$77,329.

Note 16: Subsequent Events

Events subsequent to June 30, 2018 have been evaluated through December 21, 2018, which is the date that the financial statements are available to be issued. Management identified the below subsequent events that required disclosure.

Diablo Power Plant Closure Settlement Agreement

On September 19, 2018, Governor Jerry Brown approved Senate Bill No. 1090 related to the Diablo Canyon Nuclear Power Plant Closure. The bill requires the Public Utilities Commission to approve the full funding for the community impact mitigation settlement, and for the employee retention program, proposed by Pacific Gas and Electric Company (PG&E) in a specified application submitted to the Commission. The bill would also require the Commission to ensure that integrated resource plans avoid any increase in emissions of greenhouse gases as a result of the retirement of the Diablo Canyon Nuclear Power Plant. The Settlement Agreement with PG&E includes a payment by PG&E of \$10 million to the Economic Development Fund to ease the local economic impacts of the plant’s closure. Of this amount, the City will receive \$1.82 million. In addition, the agreement includes \$75 million to the Essential Services Mitigation Fund to offset the potential negative impacts to essential public services, which will be paid out through the County in nine equal installments through 2025. The County will redistribute the funds to 71 local agencies whose budgets are impacted by the inevitable decrease in unitary tax funding from the power plant. Finally, the agreement includes continued funding of offsite community and local emergency planning efforts over the course of 15 to 25 years.

Note 16: Subsequent Events (Continued)

2018 Water Revenue Refunding Bonds

On July 3, 2018, the City issued water revenue refunding bonds, of which were used to refund the outstanding 2006 water revenue bonds. Proceeds from the 2018 bonds totaled \$10,095,000, along with a \$1,714,515 bond premium and \$1,035,348 in reserve funds from the prior bonds, were applied towards fully funding an escrow amount in the total amount sufficient for the redemption of \$12,520,000 total outstanding principal plus \$77,353 interest accrued on the prior bonds on August 3, 2018 (the “Redemption Date”) and \$247,510 in bond underwriter’s discount and cost of issuance.

2018 Clean Water State Revolving Fund Loan

On November 13, 2018, the City Council approved the Clean Water State Revolving Fund loan agreement between the City of San Luis Obispo and the California State Water Resources Control Board for a \$140 million loan for the Water Resource Recovery Facility Project. The City will receive \$4 million in principal forgiveness and the remaining \$136 million will be repaid over 30 years. The applicable interest rate was set at 1%.

Note 17: New Accounting Standards

Accounting Standards Adopted

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Implementation of GASB Statement No. 75 for the City’s June 30, 2018 financial statements resulted in a restatement of beginning net position as of July 1, 2017. See Notes 8 and 18 to the financial statements for further discussion.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The Statement also provides additional recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Implementation of this Statement did not have a material impact on the City’s financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of Statement No. 82 are effective for fiscal

City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2018
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Note 17: New Accounting Standards (Continued)

years beginning after June 15, 2016. Implementation of this Statement did not have a material impact on the City's financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Implementation of this Statement did not have a material impact on the City's financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. Statement No. 86 is meant to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions of Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Implementation of this Statement did not have a material impact on the City's financial statements.

New Accounting Standards

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement No. 83 provides financial statement users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of Statement No. 83 are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the entity to disburse fiduciary resources. The provisions of Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 increases the usefulness of entities' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings

City of San Luis Obispo, California
Notes to the Financial Statements
June 30, 2018
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Note 17: New Accounting Standards (Continued)

of the right to use an underlying asset. The provisions of Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has not yet determined the impact of this Statement on its financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Statement No. 88 is meant to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements. The provisions of Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The provisions of Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management has not yet determined the impact of this Statement on its financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions of Statement No. 90 are effective for fiscal years beginning after December 15, 2018 with earlier implementation encouraged. Management has not yet determined the impact of this Statement on its financial statements.

Note 18: Prior Year Restatements

As of July 1, 2017, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The City recorded the beginning net OPEB liability of \$8,167,136, the beginning deferred outflows of resources of \$1,469,046 related to OPEB contributions made after the beginning measurement date, the removal of the net OPEB asset under the previous standards of \$495,000, to arrive at the restatement of \$7,193,090. See Note 8 for detailed information about the impact of the implementation on the City's financial statements.

During 2018, a prior year restatement was recorded to properly record the City's investment in the Whale Rock Commission, a joint venture, due to the implementation of GASB Statement No. 75. The effect was to decrease investment in joint venture and beginning net position by \$62,700 for the Water Fund for the year ended June 30, 2017.

During 2018, a prior year restatement was recorded to properly record July 2017 utility billing revenue due to a change in the City's billing cycle accrual methodology. The effect was to increase current year water and sewer revenue and decrease beginning net position by \$414,055, \$292,590 and \$17,460 for the Water Fund, Sewer Fund, and General Fund, respectively, for the year ended June 30, 2017.



**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

City of San Luis Obispo, California
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes and franchise fees:				
Sales and use tax - general	\$ 16,932,000	\$ 16,487,213	\$ 17,055,085	\$ 567,872
Sales and use tax - Half Percent Sales Tax	7,607,000	7,445,096	7,504,485	59,389
Sales tax - Prop 172	436,560	436,560	397,488	(39,072)
Property tax	10,950,000	11,145,228	11,425,510	280,282
Transient occupancy tax	7,293,790	7,293,790	7,514,289	220,499
Utility users tax	5,568,000	5,568,000	5,627,356	59,356
Property tax in lieu of VLF	4,593,377	4,637,535	4,637,253	(282)
Franchise taxes	1,526,717	1,582,442	1,597,655	15,213
Business tax	2,746,896	2,746,896	2,663,686	(83,210)
Real property transfer tax	380,878	380,878	347,765	(33,113)
Total taxes	<u>58,035,218</u>	<u>57,723,638</u>	<u>58,770,572</u>	<u>1,046,934</u>
Fines, forfeitures and penalties	<u>147,600</u>	<u>147,600</u>	<u>199,374</u>	<u>51,774</u>
Use of money and property	<u>264,798</u>	<u>264,798</u>	<u>26,220</u>	<u>(238,578)</u>
Subventions and grants:				
Homeowners' property tax relief	69,560	69,560	90,636	21,076
Other in-lieu	22,000	22,000	24,595	2,595
Police training grant (POST)	10,000	10,000	30,615	20,615
COPS grant AB 3229	100,000	100,000	139,416	39,416
Mutual aid reimbursements		962,341	1,672,663	710,322
Transportation grants	85,000	85,000	21,703	(63,297)
Other State and Federal grants	99,000	108,378	12,798	(95,580)
Total subventions and grants	<u>385,560</u>	<u>1,357,279</u>	<u>1,992,426</u>	<u>635,147</u>

See notes to required supplementary information.

City of San Luis Obispo, California
Budgetary Comparison Schedule
General Fund, continued
For the Fiscal Year Ended June 30, 2018
Page 2

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Charges for services:				
Public safety:				
Police	\$ 475,267	\$ 533,909	\$ 629,557	\$ 95,648
Fire:				
Cal Poly fire services	291,312	291,312	284,408	(6,904)
Medical emergency recovery	182,515	182,515	181,133	(1,382)
Fire safety/hazardous materials permits	137,150	137,150	103,777	(33,373)
Multi-dwelling unit inspections			284,168	284,168
Other fire revenues	110,776	122,861	197,145	74,284
Community development:				
Planning and zoning fees	648,619	648,619	631,786	(16,833)
Construction plan and check inspections	3,410,514	3,410,514	3,602,558	192,044
Infrastructure plan check and inspections	1,400,000	1,400,000	1,476,908	76,908
Fire plan check and inspections	400,000	400,000	393,704	(6,296)
Encroachment permits	244,745	244,745	327,535	82,790
RHIP Fees	38,961	38,961	(46,876)	(85,837)
Culture and recreation:				
Adult athletic fees	135,117	135,117	112,407	(22,710)
Youth athletic fees	37,201	37,201	26,125	(11,076)
Skatepark	2,208	2,208	10	(2,198)
Instruction fees	100,455	100,455	70,061	(30,394)
Special event fees	102,332	108,272	68,659	(39,613)
Rental and use fees	178,279	178,279	191,025	12,746
Children services	662,340	662,340	705,352	43,012
Teens & seniors	1,656	1,656	18	(1,638)
Aquatics	278,956	283,083	284,030	947
Golf course	322,496	322,495	250,431	(72,064)
General government:				
Other service charges	435,485	435,487	441,730	6,243
Total charges for services	<u>9,596,384</u>	<u>9,677,179</u>	<u>10,215,651</u>	<u>538,472</u>
Other revenues:				
Insurance refunds	28,200	28,200	(367,401)	(395,601)
Sale of surplus property			7,198	7,198
Other	32,900	348,749	893,044	544,295
Total other revenues	<u>61,100</u>	<u>376,949</u>	<u>532,841</u>	<u>155,892</u>
Total Revenues	<u>68,490,660</u>	<u>69,547,443</u>	<u>71,737,084</u>	<u>2,189,641</u>

See notes to required supplementary information.

City of San Luis Obispo, California
Budgetary Comparison Schedule
General Fund, continued
For the Fiscal Year Ended June 30, 2018
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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
Public Safety:				
Police protection:				
Administration	\$ 1,786,923	\$ 1,826,799	\$ 1,604,735	\$ 222,064
Investigations	2,496,640	2,496,640	2,373,230	123,410
Neighborhood services	268,998	268,998	234,658	34,340
Support services	2,660,866	2,625,032	2,387,474	237,558
Patrol services	8,281,059	8,355,354	8,457,403	(102,049)
Traffic safety	845,290	864,090	721,013	143,077
Total police protection	<u>16,339,776</u>	<u>16,436,913</u>	<u>15,778,513</u>	<u>658,400</u>
Fire and environmental safety:				
Administration	980,360	992,514	878,145	114,369
Emergency response	9,724,402	10,685,987	10,589,603	96,384
Fire Apparatus Services	417,561	439,023	406,356	32,667
Hazard protection	1,083,048	1,129,691	882,420	247,271
Training	233,050	234,594	94,089	140,505
Technical services	38,055	48,145	46,986	1,159
Disaster preparedness	9,900	43,752	35,577	8,175
Total fire and environmental safety	<u>12,486,376</u>	<u>13,573,706</u>	<u>12,933,176</u>	<u>640,530</u>
Total public safety	<u>28,826,152</u>	<u>30,010,619</u>	<u>28,711,689</u>	<u>1,298,930</u>
Transportation:				
Transportation planning and engineering	943,437	1,066,074	984,494	81,580
Street and sidewalk maintenance	1,778,492	1,554,293	1,207,563	346,730
Traffic signals and street lights	535,787	539,135	501,165	37,970
Creek and flood protection	994,844	1,020,425	854,462	165,963
Total transportation	<u>4,252,560</u>	<u>4,179,927</u>	<u>3,547,684</u>	<u>632,243</u>

See notes to required supplementary information.

City of San Luis Obispo, California
Budgetary Comparison Schedule
General Fund, continued
For the Fiscal Year Ended June 30, 2018
Page 4

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Culture and Recreation:				
Recreation programs:				
Recreation administration	\$ 932,649	\$ 932,649	\$ 711,842	\$ 220,807
Aquatics/Sinsheimer park facilities	422,971	425,732	405,579	20,153
Children's services	919,095	919,095	906,269	12,826
Facilities	246,981	248,347	201,744	46,603
Special events	284,247	289,326	250,470	38,856
Recreational sports	346,024	346,885	244,322	102,563
Golf course	661,331	661,331	611,638	49,693
Ranger services	505,119	505,119	456,204	48,915
Maintenance programs:				
Swim center maintenance	491,452	491,452	459,342	32,110
Parks and landscape maintenance	2,669,835	2,805,170	2,398,329	406,841
Tree maintenance	556,441	604,651	544,509	60,142
Cultural and social service programs:				
Human relations	258,269	258,269	227,004	31,265
Cultural activities	320,287	320,287	317,011	3,276
Total leisure, cultural and social services	<u>8,614,701</u>	<u>8,808,313</u>	<u>7,734,263</u>	<u>1,074,050</u>
Community Development:				
Planning:				
Commissions and communities	51,517	51,517	35,386	16,131
Community development administration	710,180	779,520	688,271	91,249
Long-range planning	645,329	998,692	937,749	60,943
Development review	1,659,798	1,669,641	1,654,704	14,937
Development services	88,712	114,431	98,916	15,515
Natural resource protection	402,692	409,524	391,242	18,282
Construction regulation:				
Building and safety	1,694,456	1,790,493	1,859,811	(69,318)
CIP project engineering	2,005,918	1,967,980	1,719,756	248,224
Economic health:				
Community promotion	404,689	411,985	390,650	21,335
Economic development	251,148	435,148	242,069	193,079
Total community development	<u>7,914,439</u>	<u>8,628,931</u>	<u>8,018,554</u>	<u>610,377</u>

See notes to required supplementary information.

City of San Luis Obispo, California
Budgetary Comparison Schedule
General Fund, continued
For the Fiscal Year Ended June 30, 2018
Page 5

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Government:				
Legislation:				
Council	\$ 139,156	\$ 139,156	\$ 129,772	\$ 9,384
General administration:				
City administration	1,013,669	1,153,734	907,488	246,246
Public works administration	1,019,913	1,019,913	968,922	50,991
Legal services:				
City attorney	785,812	1,183,170	964,048	219,122
City clerk services:				
Administration and records	680,083	865,323	704,969	160,354
Organization support services:				
Human resource administration	1,211,890	1,392,131	1,169,237	222,894
Risk management	4,531,100	5,723,376	4,056,501	1,666,875
Finance and information technology administration	714,895	898,293	811,997	86,296
Revenue management	325,947	346,562	292,251	54,311
Accounting	884,525	889,345	859,919	29,426
Finance non departmental	1,357,789	1,362,789	282,954	1,079,835
Network services	2,608,660	2,662,620	2,466,077	196,543
Geographic information services	673,749	697,809	650,411	47,398
Support services	490,627	453,624	192,014	261,610
Wellness program	18,600	18,600	15,337	3,263
Building and vehicle maintenance:				
Buildings	1,261,433	1,264,882	1,154,052	110,830
Vehicle and equipment maintenance	1,254,694	1,351,104	1,209,930	141,174
Total general government	<u>18,972,542</u>	<u>21,422,431</u>	<u>16,835,879</u>	<u>4,586,552</u>
before cost reimbursement	(4,264,633)	(4,264,633)	(4,264,633)	-
Cost reimbursement (Note 3 to RSI)	<u>14,707,909</u>	<u>17,157,798</u>	<u>12,571,246</u>	<u>4,586,552</u>
Total general government	<u>14,707,909</u>	<u>17,157,798</u>	<u>12,571,246</u>	<u>4,586,552</u>
Total Expenditures	<u>64,315,761</u>	<u>68,785,588</u>	<u>60,583,436</u>	<u>8,202,152</u>
Excess of Revenues Over Expenditures	4,174,899	761,855	11,153,648	(10,391,793)

See notes to required supplementary information.

City of San Luis Obispo, California
Budgetary Comparison Schedule
General Fund, continued
For the Fiscal Year Ended June 30, 2018
Page 6

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses)				
Proceeds from debt issuance including bond premium	\$	\$	\$ 12,472,698	\$ (12,472,698)
Payment of debt			(14,558,475)	14,558,475
Transfers in	5,056,700	5,070,500	7,600,244	(2,529,744)
Transfers out	(6,495,457)	(11,539,155)	(13,570,369)	2,031,214
Total other financing uses	(1,438,757)	(6,468,655)	(8,055,902)	1,587,247
Net Change in Fund Balance	2,736,142	(5,706,800)	3,097,746	(8,804,546)
Fund Balance, Beginning of the Year	26,496,154	26,496,154	26,496,154	-
Prior Year Restatements			(17,460)	(17,460)
Fund Balance, Beginning of the Year, as Restated	26,496,154	26,496,154	26,478,694	17,460
Fund Balance, End of Year	<u>\$ 29,232,296</u>	<u>\$ 20,789,354</u>	<u>\$ 29,576,440</u>	<u>\$ (8,787,086)</u>

See notes to required supplementary information.

City of San Luis Obispo, California
Schedule of the Changes in the Net Pension Liability and Related Ratios
Miscellaneous Agent Multiple-Employer Plan
June 30, 2018
Last 10 Years *

Fiscal Year	2017-18	2016-17	2015-16	2014-15
Measurement Period	2016-17	2015-16	2014-15	2013-14
Total pension liability:				
Service Cost	\$ 4,124,832	\$ 3,580,882	\$ 3,578,172	\$ 3,703,087
Interest on total pension liability	14,197,897	13,688,523	13,193,597	12,756,967
Difference between expected and actual experience	694,843	(1,160,933)	(2,433,791)	
Changes in assumptions	11,219,603		(3,057,724)	
Benefit payments, including refunds of employee contributions	(10,161,053)	(9,476,508)	(8,808,668)	(8,258,611)
Net change in total pension liability	20,076,122	6,631,964	2,471,586	8,201,443
Total pension liability - beginning	189,675,644	183,043,680	180,572,094	172,370,651
Total pension liability - ending (a)	\$ 209,751,766	\$ 189,675,644	\$ 183,043,680	\$ 180,572,094
Plan fiduciary net position:				
Contributions - employer	\$ 6,776,849	\$ 6,122,173	\$ 5,027,356	\$ 4,631,254
Contributions - employee	1,841,331	1,666,606	1,509,834	1,664,654
Net investment income	13,053,453	677,557	2,673,657	17,746,607
Benefit payments	(10,161,053)	(9,476,508)	(8,808,668)	(8,258,611)
Net plan to plan resource movement	(2,936)			
Administrative expense	(172,935)	(72,044)	(133,042)	
Net change in plan fiduciary net position	11,334,709	(1,082,216)	269,137	15,783,904
Plan fiduciary net position - beginning	117,130,354	118,212,570	117,943,433	102,159,529
Plan fiduciary net position - ending (b)	\$ 128,465,063	\$ 117,130,354	\$ 118,212,570	\$ 117,943,433
Net pension liability (asset) - ending (a) - (b)	\$ 81,286,703	\$ 72,545,290	\$ 64,831,110	\$ 62,628,661
Plan fiduciary net position as a percentage of the total pension liability	61.25%	61.75%	64.58%	65.32%
Covered payroll	\$ 21,841,841	\$ 20,499,668	\$ 19,769,997	\$ 19,235,818
Net pension liability as percentage of covered payroll	372.16%	353.89%	327.93%	325.58%

* Fiscal year 2018 was the 4th year of implementation therefore only four years are shown. Information is required only for measurement periods for which GASB 68 is applicable. The current measurement period is the year ended June 30, 2017.

See notes to required supplementary information.

City of San Luis Obispo, California
Schedule of the Pension Plan Contributions
Miscellaneous Agent Multiple-Employer Plan
June 30, 2018
Last 10 Years *

Fiscal Year	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially determined contribution	\$ 6,698,266	\$ 6,776,849	\$ 6,122,173	\$ 5,027,356	\$ 4,631,254
Contributions in relation to the actuarially determined contributions	<u>(6,698,266)</u>	<u>(6,776,849)</u>	<u>(6,122,173)</u>	<u>(5,027,356)</u>	<u>(4,631,254)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 23,794,341	\$ 21,841,841	\$ 20,499,668	\$ 19,769,997	\$ 19,235,818
Contributions as a percentage of covered payroll	28.15%	31.03%	29.86%	25.43%	24.08%

* Fiscal year 2018 was the 4th year of implementation therefore only four years are shown. Information is required only for measurement periods for which GASB 68 is applicable. The current measurement period is the year ended June 30, 2017.

See notes to required supplementary information.

City of San Luis Obispo, California
Schedule of the City's Proportionate Share of the Net Pension Liability
Safety Cost-Sharing Plan
As of June 30, 2018
Last 10 Years *

Fiscal Year	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Measurement Period	2016-17	2015-16	2014-15	2013-14
Employer's Proportion of the Collective Net Pension Liability	1.1943%	1.2510%	1.3654%	1.3754%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 71,364,346	\$ 64,792,760	\$ 56,260,280	\$ 51,592,420
Employer's Covered Payroll	\$ 11,246,306	\$ 10,614,437	\$ 10,643,123	\$ 10,849,863
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	634.56%	610.42%	528.61%	475.51%
Plan's Share of the Fiduciary Net Position as a Percentage of the Employer's Total Pension Liability	71.74%	72.69%	77.27%	78.83%

* Fiscal year 2018 was the 4th year of implementation therefore only four years are shown. Information is required only for measurement periods for which GASB 68 is applicable. The current measurement period is the year ended June 30, 2017.

See notes to required supplementary information.

City of San Luis Obispo, California
Schedule of the City's Pension Contributions
Safety Cost-Sharing Plan
As of June 30, 2018
Last 10 Years *

Fiscal Year	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
Actuarially determined contribution	\$ 5,910,345	\$ 5,549,915	\$ 5,074,217	\$ 4,350,871	\$ 4,226,211
Contributions in relation to the actuarially determined contributions	<u>(5,910,345)</u>	<u>(6,299,915)</u>	<u>(5,824,217)</u>	<u>(4,650,871)</u>	<u>(5,161,211)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (750,000)</u>	<u>\$ (750,000)</u>	<u>\$ (300,000)</u>	<u>\$ (935,000)</u>
 Covered payroll	 \$ 11,246,306	 \$ 10,614,437	 \$ 10,643,123	 \$ 10,849,863	 \$ 10,768,119
 Contributions as a percentage of covered payroll	 52.55%	 59.35%	 54.72%	 42.87%	 47.93%

* Fiscal year 2018 was the 4th year of implementation therefore only four years are shown. Information is required only for measurement periods for which GASB 68 is applicable. The current measurement period is the year ended June 30, 2017.

See notes to required supplementary information.

City of San Luis Obispo, California
Schedule of the Changes in the Net OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018

Fiscal Year	2017-18
Measurement Period	<u>2016-17</u>
Total pension liability:	
Service Cost	\$ 450,125
Interest on total OPEB liability	856,436
Difference between expected and actual experience	
Changes in assumptions	
Benefit payments, including refunds of employee contributions	<u>(827,500)</u>
Net change in total OPEB liability	479,061
Total OPEB liability - beginning	<u>12,651,572</u>
Total OPEB liability - ending (a)	<u><u>\$ 13,130,633</u></u>
Plan fiduciary net position:	
Contributions - employer	\$ 1,493,996
Net investment income	469,883
Benefit payments	(827,500)
Net plan to plan resource movement	
Administrative expense	<u>(2,387)</u>
Net change in plan fiduciary net position	1,133,992
Plan fiduciary net position - beginning	<u>4,345,728</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 5,479,720</u></u>
Plan net OPEB liability - ending (a) - (b)	<u><u>\$ 7,650,913</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	41.73%
Covered payroll	\$ 33,722,592
Plan net OPEB liability as percentage of covered payroll	22.69%

* Fiscal year 2018 was the 1st year of implementation therefore only one year is shown. Information is required only for measurement periods for which GASB 75 is applicable. The current measurement period is the year ended June 30, 2017.

See notes to required supplementary information.

City of San Luis Obispo, California
Schedule of Employer OPEB Contributions
For the Fiscal Year Ended June 30, 2018

Fiscal Year	<u>2017-18</u>
Contractually determined contribution (actuarially determined)	\$ 1,221,000
Contributions in relation to the actuarially determined contributions	<u>(1,221,000)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 33,790,437
Contributions as a percentage of covered payroll	3.61%

* Fiscal year 2018 was the 1st year of implementation therefore only one year is shown. Information is required only for measurement periods for which GASB 75 is applicable. The current measurement period is the year ended June 30, 2017.

See notes to required supplementary information.

City of San Luis Obispo, California
Notes to Required Supplementary Information
June 30, 2018

Budgetary Comparison Schedule

1. The budget is prepared using the modified accrual basis of accounting consistent with U.S. generally accepted accounting principles.
2. Outstanding encumbrances from the prior fiscal year are not reflected in the original budget column but are included in the final budget amounts.
3. All the City’s general government and engineering programs are initially accounted and budgeted for in the General Fund. However, certain of these support service programs also benefit the City’s enterprise and agency fund operations, and accordingly, transfers are made from these funds to reimburse the General Fund for these services. The transfers are based on a Cost Allocation Plan prepared for this purpose which distributes the shared costs in a uniform, consistent manner in accordance with U.S. generally accepted accounting principles.

Excess of Expenditures Over Appropriations

1. At June 30, 2018 expenditures exceeded appropriations in the General Fund as noted below. This does not represent a violation of City budget policies because no department’s total expenditures exceeded their total appropriations within the General Fund.

Department/Division	Budget Variance
Police protection:	
Patrol services	166,468
Construction regulation:	
Building and safety	81,898

Schedule of the Changes in the Net Pension Liability and Related Ratios – Miscellaneous Plan

1. *Benefit changes.* The figures shown do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two years Additional Service Credit (a.k.a. Golden Handshakes).
2. *Changes in assumptions.* In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes in assumptions. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65%. In 2014, amounts reported were based on the 7.5% discount rate.

City of San Luis Obispo, California
Notes to Required Supplementary Information
June 30, 2018
Page 2

Schedule of the Pension Plan Contributions—Miscellaneous Plan

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2017-18 contributions rates are as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Asset valuation method	Actuarial Value of Assets.
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2014 CalPERS experience study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Schedule of the City’s Proportionate Share of the Net Pension Liability – Cost Sharing

The Plan’s proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan’s proportionate share of aggregate contributions is based on the Plan’s proportion of fiduciary net position as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

Schedule of the City’s Pension Contributions – Cost Sharing

1. *Benefit changes.* The figures shown do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 as they have minimal cost impact.
2. *Changes in assumptions.* In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes in assumptions. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65%. In 2014, amounts reported were based on the 7.5% discount rate.

City of San Luis Obispo, California
Notes to Required Supplementary Information
June 30, 2018
Page 3

Schedule of the Changes in the Net OPEB Liability and Related Ratios

1. *Benefit changes.* The figures shown do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2017 measurement date.
2. *Changes in assumptions.* There were no changes in assumptions.

Schedule of the OPEB Plan Contributions

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2017-18 contributions rates are as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal, level percentage of payroll
Amortization method	Level percent of payroll
Remaining amortization period	16.6 average years remaining for 2017/18
Asset valuation method	Investment gains and losses spread over 5-year rolling period
Inflation	3.00%
Discount rate	7.00%
Medical trend	Non-Medicare/Medicare - 7.0%/7.2% for 2017, decreasing to an ultimate rate of 5.0%/5.0% in 2021 and later years
Mortality, Retirement, Disability, Termination	Rates from CalPERS 1997-2015 Experience Study.
Mortality Improvement	Mortality projection Society of Actuaries Scale MP-2014, modified to converge to ultimate rates in 2022.



**OTHER SUPPLEMENTARY INFORMATION
AND COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

City of San Luis Obispo, California
Half Percent Sales Tax Measure Funding Schedule
For the Fiscal Year Ended June 30, 2018

The following summarizes revenues and expenditures for the current year for the Half Percent Sales Tax Measure priorities.

	<u>Budget</u>	<u>Actual</u>		
Revenues				
Local Sales Tax Fund	\$ 7,445,096	\$ 7,504,485		
Local Sales Tax Fund		56,409		
	<u>7,445,096</u>	<u>7,560,894</u>		
Expenditures				
Operating Programs:				
Community Development	252,729	252,729		
Public Works	1,239,956	1,202,100		
Parks	144,685	130,818		
Police	884,388	884,388		
Fire	8,000	8,000		
	<u>2,529,758</u>	<u>2,478,035</u>		
Capital Programs:				
	<u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Carryover</u>
Administration				
Completed Projects	66,997		\$	\$ 66,997
Octagon Barn Facility	184,754			184,754
City/County Library Major Main	405,300	259,524		145,776
Laguna Lake Dredge/Mgt	92,323	60,789	112	31,422
Open Space Protection	560,857	112,073	2,280	446,504
	<u>1,310,231</u>	<u>432,386</u>	<u>2,392</u>	<u>875,453</u>
Public Works				
Trees Maintenance	470	470		-
Buildings Maintenance	483,900	93,400	163,206	227,294
Street R & R Main Account	93,679	51,715	300	41,664
Master street R	128,810	100,209		28,601
Street R & R Main Account	151,160	40,690		110,470
Master CMP Replacement	1,391,491	58,188	10,856	1,322,447
Sidewalk Repair	157,529	51,585	19,401	86,543
Street asphalt grind	90,676	90,676		-
Traffic Sign Maintenance	25,000	2,070	20,418	2,512
Broad/Leff Culvert	10,000		8,603	1,397
Downtown Renewal	196,000			196,000
Street marking replacement	5,753	5,753		-
Concrete Street/Access 18	575,160	105,992	469,168	-
3/4 Ton Pickups	1,152	1,152		-
Signal Truck	91,133	91,133		-
Madonna & LOVR Rehab	2,148,916	2,148,916		-
Street Vehicles/Equipment	336,199	205,605	166,781	(36,187)
Street Sidewalk Improvement	55,000	17,396		37,604
Traffic Safety Report	63,000	5,450		57,550
Bicycle Facility Improvement	127,993	64,919		63,074
Traffic Operation Report Implementation	10,909	1,713		9,196
Bob Jones Octagon Barn	42,531			42,531

City of San Luis Obispo, California
Half Percent Sales Tax Measure Funding Schedule, continued
For the Fiscal Year Ended June 30, 2018
Page 2

Capital Programs:	Budget	Actual	Encumbrances	Carryover
Public Works - continued				
Traffic Safety Operation Improvement	\$ 30,000	\$ 436	\$	\$ 29,564
BTP Implementation	194,745	21,363		173,382
Bike Bridge/Phillips	250,000	25,398	78,987	145,615
Safe Route to School	44,594			44,594
Monterey/Oso Traffic Signal	252,628	252,869		(241)
Active Transportation Plan	40,000			40,000
Neighborhood Traffic Improvement	75,000	1,181	7,400	66,419
Street Light Master	20,000			20,000
Neighborhood Traffic	352	598		(246)
Parking Structure Assessment	8,333		5,906	2,427
	<u>7,102,113</u>	<u>3,438,877</u>	<u>951,026</u>	<u>2,712,210</u>
Parks				
Bike Pathway Main	98,409	7,093		91,316
Parks Major Maintenance	496,151	20,734	75	475,342
Mission Plaza Railroad	80,000			80,000
French & Islay Tennis	2,630			2,630
Mission Plaza Railing	59,875	59,875		-
Sinsheimer Backstop	98,500	2,385		96,115
Park Maintenance Vehicles & Equipment	99,672	99,672		-
Open Space Maintenance	306,473	235,132		71,341
	<u>1,241,710</u>	<u>424,891</u>	<u>75</u>	<u>816,744</u>
Public Safety				
Thinkstream CAD	25,000			25,000
911 Phone System	207,768			207,768
Police CAD Hardware	15,826			15,826
Radio Handhelds & Mobile Devices	180,000		162,554	17,446
South Hills Radio Upgrade	250,000	11,546	75,058	163,396
Public Surveillance Cameras	26,500	17,404		9,096
Police San Controllers	80,000	80,000		-
Police Vehicles	393,241	195,684	40,787	156,770
Fire Epcr Records Support	16,730			16,730
Ambulance Pkg Support	125,009	124,881		128
Fire Command Vehicle	25,465	18,053		7,412
Fire Station 2 Driveway	6,500			6,500
Fire Station 4 Emergency Back Up Genera	7,000			7,000
Fire Training Pickup	58,000	43,260		14,740
	<u>1,417,039</u>	<u>490,828</u>	<u>278,399</u>	<u>647,812</u>
Capital Expenditure	<u>11,071,093</u>	<u>4,786,982</u>	<u>\$ 1,231,892</u>	<u>\$ 5,052,219</u>

City of San Luis Obispo, California
Half Percent Sales Tax Measure Funding Schedule, continued
For the Fiscal Year Ended June 30, 2018
Page 3

Capital Programs:	<u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Carryover</u>
Transfers		(130,000)		
Net Change in Fund Balance	(6,155,755)	165,877		
Fund balance, beginning of year	5,901,482	5,901,482		
Fund balance, end of year	<u>\$ (254,273)</u>	<u>\$ 6,067,359</u>		

* Due to the nature of these projects, no carryover into the following fiscal year.

The following summarizes revenues and expenditures for the year ended June 30, 2018 for the Half Percent Sales Tax Measure* priorities.

Revenues:

Sales and use tax - Measure G 1/2 cent add-on tax	\$ 7,504,485
Use of money and property	56,409
Total revenues	<u>7,560,894</u>

Expenditures:

Current:	
Public safety	892,388
Transportation	1,202,100
Culture and recreation	130,818
Community development	252,729
Capital outlay	
Public safety	490,828
Transportation	3,438,877
Culture and recreation	424,891
General government	432,386
Total expenditures	<u>7,265,017</u>
Excess of revenues over expenditures	<u>295,877</u>

Other Financing Sources (Uses):

Transfers in	1,658,400
Transfers out	(1,788,400)
Total other financing sources (uses)	<u>(130,000)</u>
Net change in fund balance	165,877
Fund balance, beginning of year	<u>5,901,482</u>
Fund balance, end of year	<u>\$ 6,067,359</u>

* The Half Percent Sales Tax Measure is a sub-fund of the General Fund. All activity is reflected in the General Fund and is reported here for informational purposes only.

City of San Luis Obispo, California
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

The City maintains the following nonmajor governmental funds:

Special Revenue Funds

The City has established the following ten special revenue funds in order to account for the proceeds from revenue sources that are restricted or committed to expenditures for specified purposes. Budgets are prepared using the modified accrual basis of accounting consistent with U.S. generally accepted accounting principles.

Downtown Business Improvement District (BID) Fund. This fund has been established to account for the receipt of a surcharge derived from a supplemental assessment upon businesses within the Downtown Business Improvement District's boundaries. Pursuant to the provisions of the Municipal Code, this surcharge is equal to \$150.00 per year. Expenditures from the fund are limited to four basic purposes: decorating public places within the downtown; promoting public events in the downtown core; promoting trade activities; and improving parking in the downtown core.

Transportation Development Act (TDA) Fund. The State of California has designated 1/4% of the sales tax levied statewide for local transportation purposes. Funding for this program was provided during the 1971 legislative session with the enactment of the Transportation Development Act, which extended the State sales tax to include purchases of gasoline. Revenues allocated to the City of San Luis Obispo under this program are divided into two categories: Article 3 funds, which are restricted for the improvement and maintenance of street systems including pedestrian and bicycle facilities; and Article 4 funds, which are restricted for public transit systems and are recorded directly in the Transit Fund. Under the City's Financial Plan policies, all TDA Article 3 revenues are allocated for alternative transportation purposes. The purpose of this fund is to account for these revenues.

Tourism Business Improvement District (BID) Fund. This fund has been established to account for the receipt of a surcharge derived from assessments upon the lodging establishments within the City. The surcharge is equal to 2% of gross room rents. Expenditures from the fund are limited to the marketing and promotion of tourism.

Gas Tax Fund. Portions of the tax rate per gallon levied by the State of California on all gasoline purchases are allocated to cities throughout the State on a population basis. These funds are restricted for expenditures by the State of California for street-related purposes only. Under the City's Financial Plan policies, all gas tax revenues are transferred to the General Fund for street maintenance purposes.

Community Development Block Grant (CDBG) Fund. This fund has been established to account for federal funds received by the City specifically to benefit low and moderate income persons, aid in the elimination of blight, and meet other community development needs as allowed by block grant regulations.

Law Enforcement Grants Fund. This fund has been established to account for public safety grant funds.

Public Arts Contribution Fund. Public contributions to the public art program are accounted for in this fund along with the expenditures for public art projects funded by this revenue source.

City of San Luis Obispo, California
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018
Page 2

Insurance Fund. This fund was established to accumulate resources needed to pay for certain insurance and employee benefit program costs. Financing is primarily provided through operating transfers from the General Fund.

SBI Road Repair Fund. This fund has been established to account for stable and ongoing funding for maintenance and improvements to transportation infrastructure as provided through Senate Bill 1 (2017), the Road Repair and Accountability Act.

SB1186 ASP Certify Fund. This fund has been established as Senate Bill 1186 (2012) requires local agencies to collect an additional fee when issuing a permit for the purpose of increasing certified access specialist (CASp) services and compliance with construction-related accessibility requirements. The first priority is to spend the funds on the training and retention of CASps in order to meet the needs of the public in the jurisdiction. The funds may also be spent on activities or programs that facilitate accessibility compliance.

Capital Projects Funds

The following eleven capital project funds are used by the City to account for the financial resources used in the construction or acquisition of major capital facilities or equipment (with the exception of those financed primarily through proprietary funds). Budgets are prepared using the modified accrual basis of accounting consistent with U.S. generally accepted accounting principles on a multi-year project basis. Accordingly, budgetary comparisons for the capital projects funds are not presented in the accompanying other supplementary information.

Capital Outlay Fund. This fund was established to account for all of the City's construction projects and capital purchases in excess of \$25,000 with the exception of those funded through non-major capital project funds and Enterprise Funds. Financing is provided primarily through transfers in from the General Fund, and from State and Federal Grants.

Parkland Development Fund. This fund was established to account for construction projects related to park acquisition and development that will be financed primarily with park in-lieu fees.

Open Space Protection Fund. This fund was established to account for projects funded as part of the City's open space protection program to enhance open space and agricultural conservation on lands within and surrounding the City, improve passive recreational and nature study opportunities, and restore and enhance wildlife habitat. Projects in this fund will be financed with General Fund contributions, outside contributions, and State and Federal grants.

Airport Area Impact Fee Fund. This fund was established to account for interim annexation fees collected for the specific plan and related infrastructure master plans for annexing the airport area to the City.

Los Osos Valley Road (LOVR) Sub-Area Fee Fund. This fund was established to account for sub-area impact fees collected from development activity in the Los Osos Valley Road sub-area boundary.

City of San Luis Obispo, California
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018
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Waste Water Impact Fee Fund. This fund was established to account for the collection of development impact fees collected from the Tank Farm Road, Irish Hills, and Silver City sub-areas.

Fleet Replacement Fund. This fund was established to account for the financing and replacement of vehicles for all General Fund programs of the City. Financing is primarily provided through operating transfers from the General Fund as well as from interest earnings and sales of surplus property.

Information Technology Replacement Fund. This fund was established in FY 12-13 to account for the financing and replacement of information technology for all General Fund programs of the City. Financing is primarily provided through operating transfers from the General Fund as well as from interest earnings.

Affordable Housing Program. This fund accumulates revenues from inclusionary housing fees for capital projects related to affordable housing programs and projects.

Transportation Impact Fee Fund. This fund was established to account for construction projects that will be financed primarily with transportation impact fees.

Infrastructure Fund. This fund was established to provide financing to infrastructure projects that have a wide community benefit. Financing is primarily provided through operating transfers from the General Fund.

Debt Service Fund

The City has established one debt service fund to account for the payment and accumulation of resources related to governmental activities long-term debt principal and interest for the following debt issues. Budgets are prepared using the modified accrual basis of accounting consistent with U.S. generally accepted accounting principles. The following governmental activity debt issuances are serviced by this fund.

2010 Fire Engine/Truck Lease-Purchase Financing. Lease-purchase financing was obtained in order to purchase a fire apparatus with 100-foot ladder. Debt service obligations are recorded in the Debt Service Fund.

Capital Improvement Board 2012 Refunding Lease Revenue Bonds. On May 24, 2012 the Board issued \$5,050,000 of 2012 Lease Revenue Refunding Bonds. These bonds were issued to refinance the outstanding 2001 Lease Revenue Bonds, Series C, which will be redeemed on December 1, 2029. The 2001 bonds were used to purchase property and build athletic fields; purchase property for police station expansion; purchase Downtown Plan properties.

The Board has entered into a lease agreement with the City under which the City is responsible for making lease payments to fund the annual debt service requirements.

2013 Fire Engine/Truck Lease-Purchase Financing. Lease-purchase financing was obtained in order to purchase an engine. Debt service obligations are recorded in the Debt Service Fund.

City of San Luis Obispo, California
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018
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Capital Improvement Board 2014 Lease Revenue Bonds. In 2014 the Board issued \$7,580,000 of 2014 Lease Revenue Bonds. These bonds were issued to finance the expansion of the Los Osos Valley Road interchange at U.S. 101. Debt service related to the interchange is recorded in the Debt Service Fund.

The Board has entered into a lease agreement with the City under which the City is responsible for making lease payments to fund the annual debt service requirements.

2016 Mobile Data Computers Lease. Lease-purchase financing was obtained in order to purchase mobile data computers, hardware to install the computers in City vehicles, installation costs, and wireless network components. Debt service obligations are recorded in the Debt Service Fund.

2017 Fire Engine and Street Sweeper. Lease-purchase financing was obtained in order to purchase a fire truck and street sweeper. Debt service obligations are recorded in the Debt Service Fund.

2018 Street Sweeper. Lease-purchase financing was obtained in order to purchase a street sweeper. Debt service obligations are recorded in the Debt Service Fund.

Capital Improvement Board 2018 Lease Revenue Bonds. In 2018 the Board issued \$11,072,775 of 2018 Lease Revenue Refunding Bonds. These bonds were issued to refinance the outstanding 2005 Revenue Bonds, 2006 Lease Revenue Bonds, and 2009 Lease Revenue Bonds. The original bonds were used to accomplish several high priority capital improvement projects including the headquarters fire station, seismic safety and HVAC improvements to City Hall, Mission Plaza expansion, and various properties and street lighting system purchases. Further, the bonds were used to purchase a parking structure and office building and to finance the construction of the Public Safety Communications and Emergency Operations Center project.

The Board has entered into a lease agreement with the City under which the City is responsible for making lease payments to fund the annual debt service requirements.

City of San Luis Obispo, California
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

	<u>Special Revenue Funds</u>			
	<u>Downtown BID</u>	<u>Transportation Development Act (TDA)</u>	<u>Tourism BID</u>	<u>Gas Tax</u>
Assets				
Cash and cash equivalents	\$	\$	\$ 35,114	\$
Investments			402,890	
Accounts receivable			187,829	
Accrued interest receivable			1,460	
Prepaid expense				
Cash held by fiscal agent				
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total assets	-	-	627,293	-
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 77,329	\$	\$ 208,707	\$
Accrued liabilities			1,290	
Due to other funds				
Unearned revenue				
	<u>77,329</u>	<u>-</u>	<u>209,997</u>	<u>-</u>
Fund balance:				
Unspendable	(77,329)			
Restricted for:				
Debt service				
Law enforcement grant programs				
Committed to:				
Affordable housing programs				
Impact fee programs				
Open space programs				
Parkland development programs				
Public art programs				
Assigned to:				
Contingency fund				
Subsequent years expenditures			417,296	
	<u>(77,329)</u>	<u>-</u>	<u>417,296</u>	<u>-</u>
Total fund balance				
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total liabilities and fund balance	-	-	627,293	-

Special Revenue Funds

Community Development Block Grant (CDBG)	Law Enforcement Grants	Public Art Contributions	Insurance	SB1 Road Repair	SB1186 CASP Certify
\$ 63,950	\$	\$ 41,746	\$ 1,778,009	\$ 18,314	\$ 57
105,000	43,148	478,976		210,129	653
		2,019	1,542	58,401	
				743	3
\$ 168,950	\$ 43,148	\$ 522,741	\$ 1,779,551	\$ 287,587	\$ 713
\$ 33,175	\$ 39,912	\$ 2,856	\$	\$	\$
	163				
33,175	40,075	2,856	-	-	-
	3,073				
		519,885			
135,775			1,779,551	287,587	713
135,775	3,073	519,885	1,779,551	287,587	713
\$ 168,950	\$ 43,148	\$ 522,741	\$ 1,779,551	\$ 287,587	\$ 713

City of San Luis Obispo, California
Combining Balance Sheet
Nonmajor Governmental Funds, continued
For the Fiscal Year Ended June 30, 2018
Page 2

	Capital Projects Funds				
	Capital Outlay	Parkland Development	Open Space Protection	Airport Area Impact Fee	LOVR Sub- Area Fee
Assets					
Cash and cash equivalents	\$ 490,844	\$ 188,929	\$ 47,532	\$ 89,533	\$ 22,153
Investments	932,758	2,167,685	545,367	1,027,257	254,176
Accounts receivable	520,132				
Accrued interest receivable	6,495	9,363	2,357	4,439	1,097
Prepaid expense					
Cash held by fiscal agent					
Total assets	<u>\$ 1,950,229</u>	<u>\$ 2,365,977</u>	<u>\$ 595,256</u>	<u>\$ 1,121,229</u>	<u>\$ 277,426</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 105,430	\$ 2,630	\$	\$	\$ 179,906
Accrued liabilities					
Due to other funds					
Unearned revenue	114,970				
Total liabilities	<u>220,400</u>	<u>2,630</u>	<u>-</u>	<u>-</u>	<u>179,906</u>
Fund balance:					
Unspendable					
Restricted for:					
Debt service					
Law enforcement grant programs					
Committed to:					
Affordable housing programs	1,729,829				
Impact fee programs				1,121,229	97,520
Open space programs			595,256		
Parkland development programs		2,363,347			
Public art programs					
Assigned to:					
Contingency fund					
Subsequent years expenditures					
Total fund balance	<u>1,729,829</u>	<u>2,363,347</u>	<u>595,256</u>	<u>1,121,229</u>	<u>97,520</u>
Total liabilities and fund balance	<u>\$ 1,950,229</u>	<u>\$ 2,365,977</u>	<u>\$ 595,256</u>	<u>\$ 1,121,229</u>	<u>\$ 277,426</u>

Capital Projects Funds

Waste Water Impact Fee	Fleet Replacement	Info Tech Replacement	Affordable Housing	Transportation Impact Fee	Infrastructure	Debt Service
\$ 22,549	\$ 61,455	\$ 227,905	\$ 179,315	\$ 560,535	\$ 316,711	\$ 1,386,149
258,716	705,098	2,614,875	2,057,379	6,431,301		24,056
	3,970	11,681	8,106	28,113	1,259	5,642
						418,881
<u>\$ 281,265</u>	<u>\$ 770,523</u>	<u>\$ 2,854,461</u>	<u>\$ 2,244,800</u>	<u>\$ 7,019,949</u>	<u>\$ 317,970</u>	<u>\$ 1,834,728</u>
\$	\$ 1,312	\$ 82,374	\$	\$ 146,104	\$	\$ 116,703
						59,274
<u>-</u>	<u>1,312</u>	<u>82,374</u>	<u>-</u>	<u>146,104</u>	<u>-</u>	<u>175,977</u>
						5,642
						1,653,109
			2,244,800			
				6,873,845		
281,265	500,000 269,211	400,000 2,372,087			317,970	
281,265	769,211	2,772,087	2,244,800	6,873,845	317,970	1,658,751
<u>\$ 281,265</u>	<u>\$ 770,523</u>	<u>\$ 2,854,461</u>	<u>\$ 2,244,800</u>	<u>\$ 7,019,949</u>	<u>\$ 317,970</u>	<u>\$ 1,834,728</u>

City of San Luis Obispo, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

	<u>Special Revenue Funds</u>			
	<u>Downtown BID</u>	<u>Transportation Development Act (TDA)</u>	<u>Tourism BID</u>	<u>Gas Tax</u>
Revenues:				
Use of money and property	\$	\$	\$ 4,547	\$
Subventions and grants		39,781		967,495
Charges for services	260,449		1,492,434	
Other revenues			1,600	
Total revenues	<u>260,449</u>	<u>39,781</u>	<u>1,498,581</u>	<u>967,495</u>
Expenditures:				
Current:				
General government				
Public safety				
Transportation				
Leisure, cultural and social services				
Community development	332,321		1,476,850	
Debt service:				
Principal				
Interest and fiscal charges				
Capital:				
General government				
Public safety				
Transportation				
Leisure, cultural and social services				
Community development				
Total expenditures	<u>332,321</u>	<u>-</u>	<u>1,476,850</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(71,872)</u>	<u>39,781</u>	<u>21,731</u>	<u>967,495</u>
Other financing sources (uses):				
Transfers in				
Transfers out		(39,781)	(33,868)	(967,495)
Total other financing sources (uses)	<u>-</u>	<u>(39,781)</u>	<u>(33,868)</u>	<u>(967,495)</u>
Net change in fund balance	(71,872)	-	(12,137)	-
Fund balance, beginning of year	<u>(5,457)</u>	<u>-</u>	<u>429,433</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (77,329)</u>	<u>\$ -</u>	<u>\$ 417,296</u>	<u>\$ -</u>

Special Revenue Funds

Community Development Block Grant (CDBG)	Law Enforcement Grants	Public Art Contributions	Insurance	SB1 Road Repair	SB1186 ASP Certify
\$ 87,019	\$ 104,253	\$ 5,475	\$ 10,519	\$ 1,318	\$ 6
1,803	355	70,575		286,269	707
<u>88,822</u>	<u>104,608</u>	<u>76,050</u>	<u>10,519</u>	<u>287,587</u>	<u>713</u>
	108,521				
128,633		25,043			
105,000					
<u>233,633</u>	<u>108,521</u>	<u>25,043</u>	<u>-</u>	<u>-</u>	<u>-</u>
(144,811)	(3,913)	51,007	10,519	287,587	713
154,000	(13,800)		750,000		
<u>154,000</u>	<u>(13,800)</u>	<u>-</u>	<u>750,000</u>	<u>-</u>	<u>-</u>
9,189	(17,713)	51,007	760,519	287,587	713
<u>126,586</u>	<u>20,786</u>	<u>468,878</u>	<u>1,019,032</u>	<u>-</u>	<u>-</u>
<u>\$ 135,775</u>	<u>\$ 3,073</u>	<u>\$ 519,885</u>	<u>\$ 1,779,551</u>	<u>\$ 287,587</u>	<u>\$ 713</u>

City of San Luis Obispo, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds, continued
For the Fiscal Year Ended June 30, 2018
Page 2

	Capital Projects Funds				
	Capital Outlay	Parkland Development	Open Space Protection	Airport Area Impact Fee	LOVR Sub- Area Fee
Revenues:					
Use of money and property	\$ 9,551	\$ 24,617	\$ 6,513	\$ 12,259	\$ 3,091
Subventions and grants	890,182				
Charges for services		455,918			
Other revenues	52,667				
Total revenues	<u>952,400</u>	<u>480,535</u>	<u>6,513</u>	<u>12,259</u>	<u>3,091</u>
Expenditures:					
Current:					
General government	221,615				
Public safety	39,744				
Transportation	17,338				
Leisure, cultural and social services	810,648	1,230			
Community development	8,884				
Debt service:					
Principal					
Interest and fiscal charges					
Capital:					
General government	465,919				
Public safety	364,305				
Transportation	4,382,586				34,518
Leisure, cultural and social services	473,110	215,963			
Community development	420,105				
Total expenditures	<u>7,204,254</u>	<u>217,193</u>	<u>-</u>	<u>-</u>	<u>34,518</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,251,854)</u>	<u>263,342</u>	<u>6,513</u>	<u>12,259</u>	<u>(31,427)</u>
Other financing sources (uses):					
Transfers in	5,978,251				
Transfers out	(483,900)	(160,000)			
Total other financing sources (uses)	<u>5,494,351</u>	<u>(160,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(757,503)	103,342	6,513	12,259	(31,427)
Fund balance, beginning of year	<u>2,487,332</u>	<u>2,260,005</u>	<u>588,743</u>	<u>1,108,970</u>	<u>128,947</u>
Fund balance (deficit), end of year	<u>\$ 1,729,829</u>	<u>\$ 2,363,347</u>	<u>\$ 595,256</u>	<u>\$ 1,121,229</u>	<u>\$ 97,520</u>

Capital Projects Funds

Waste Water Impact	Fleet Replacement	Info Tech Replacement	Affordable Housing	Transportation Impact Fee	Infrastructure	Debt Service	Total Nonmajor Governmental Funds
\$ 1,723	\$ 12,299	\$ 33,179	\$ 6,051	\$ (5,650)	\$ 3,509	\$ 9,207	\$ 138,214
			75,177				2,163,907
129,336		84,226	446,572	1,230,254			4,457,095
	45,480						101,550
<u>131,059</u>	<u>57,779</u>	<u>117,405</u>	<u>527,800</u>	<u>1,224,604</u>	<u>3,509</u>	<u>9,207</u>	<u>6,860,766</u>
						10,690	232,305
	2,952						151,217
							17,338
							836,921
	393		850,000		32		2,797,113
						1,019,777	1,019,777
						1,517,605	1,517,605
	62,456	664,049					1,192,424
	142,186						506,491
	344,117			1,657,916			6,419,137
	292,695						981,768
	-						525,105
<u>-</u>	<u>844,799</u>	<u>664,049</u>	<u>850,000</u>	<u>1,657,916</u>	<u>32</u>	<u>2,548,072</u>	<u>16,197,201</u>
<u>131,059</u>	<u>(787,020)</u>	<u>(546,644)</u>	<u>(322,200)</u>	<u>(433,312)</u>	<u>3,477</u>	<u>(2,538,865)</u>	<u>(9,336,435)</u>
	779,347	687,535				3,865,767	12,214,900
	(768,000)	(536,500)		(250,000)		(1,793,404)	(5,046,748)
<u>-</u>	<u>11,347</u>	<u>151,035</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>2,072,363</u>	<u>7,168,152</u>
<u>131,059</u>	<u>(775,673)</u>	<u>(395,609)</u>	<u>(322,200)</u>	<u>(683,312)</u>	<u>3,477</u>	<u>(466,502)</u>	<u>(2,168,283)</u>
<u>150,206</u>	<u>1,544,884</u>	<u>3,167,696</u>	<u>2,567,000</u>	<u>7,557,157</u>	<u>314,493</u>	<u>2,125,253</u>	<u>26,059,944</u>
<u>\$ 281,265</u>	<u>\$ 769,211</u>	<u>\$ 2,772,087</u>	<u>\$ 2,244,800</u>	<u>\$ 6,873,845</u>	<u>\$ 317,970</u>	<u>\$ 1,658,751</u>	<u>\$ 23,891,661</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Downtown Business Improvement District Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services				
Assessments	\$ 227,000	\$ 227,000	\$ 260,449	\$ 33,449
Total Revenues	<u>227,000</u>	<u>227,000</u>	<u>260,449</u>	<u>33,449</u>
Expenditures:				
Current				
Community development	227,000	227,000	332,321	105,321
Total Expenditures	<u>227,000</u>	<u>227,000</u>	<u>332,321</u>	<u>105,321</u>
Excess of Revenues Under Expenditures	<u>-</u>	<u>-</u>	<u>(71,872)</u>	<u>(71,872)</u>
Net Change in Fund Balance	-	-	(71,872)	(71,872)
Fund Balance, Beginning of Year	<u>(5,457)</u>	<u>(5,457)</u>	<u>(5,457)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (5,457)</u>	<u>\$ (5,457)</u>	<u>\$ (77,329)</u>	<u>\$ (71,872)</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Transportation Development Act (TDA)
For the Fiscal Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Subventions and grants	\$ 45,000	\$ 45,000	\$ 39,781	\$ (5,219)
Total Revenues	<u>45,000</u>	<u>45,000</u>	<u>39,781</u>	<u>(5,219)</u>
Excess of Revenues Over (Under) Expenditures	45,000	45,000	39,781	(5,219)
Other Financing Uses:				
Operating transfers out	<u>(45,000)</u>	<u>(45,000)</u>	<u>(39,781)</u>	<u>5,219</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Tourism Business Improvement District Fund
For the Fiscal Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 1,400	\$ 1,400	\$ 4,547	\$ 3,147
Assessments	1,464,387	1,464,387	1,492,434	28,047
Other revenues	-		1,600	1,600
Total Revenues	<u>1,465,787</u>	<u>1,465,787</u>	<u>1,498,581</u>	<u>32,794</u>
Expenditures:				
Current				
Community development	1,340,344	1,852,002	1,476,850	(375,152)
Total Expenditures	<u>1,340,344</u>	<u>1,852,002</u>	<u>1,476,850</u>	<u>(375,152)</u>
Excess of Revenues Over (Under) Expenditures	125,443	(386,215)	21,731	407,946
Other Financing Uses:				
Operating transfers out	(28,679)	(28,679)	(33,868)	(5,189)
Net Change in Fund Balance	96,764	(414,894)	(12,137)	402,757
Fund Balance, Beginning of Year	<u>429,433</u>	<u>429,433</u>	<u>429,433</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 526,197</u>	<u>\$ 14,539</u>	<u>\$ 417,296</u>	<u>\$ 402,757</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Gas Tax Fund
For the Fiscal Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Subventions and grants	\$ 965,000	\$ 965,000	\$ 967,495	\$ 2,495
Total Revenues	<u>965,000</u>	<u>965,000</u>	<u>967,495</u>	<u>2,495</u>
Excess of Revenues Over Expenditures	965,000	965,000	967,495	2,495
Other Financing Uses:				
Operating transfers out	<u>(965,000)</u>	<u>(965,000)</u>	<u>(967,495)</u>	<u>(2,495)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Community Development Block Grant (CDBG) Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and grants	\$ 232,623	\$ 232,623	\$ 87,019	\$ (145,604)
Other revenues			1,803	1,803
Total Revenues	<u>232,623</u>	<u>232,623</u>	<u>88,822</u>	<u>(143,801)</u>
Expenditures:				
Current				
Community development	192,409	192,409	233,633	41,224
Transportation	<u>105,000</u>	<u>210,000</u>		<u>(210,000)</u>
Total Expenditures	<u>297,409</u>	<u>402,409</u>	<u>233,633</u>	<u>(168,776)</u>
Excess of Revenues Over (Under) Expenditures	(64,786)	(169,786)	(144,811)	24,975
Other Financing Uses:				
Operating transfers in	<u>154,000</u>	<u>154,000</u>	<u>154,000</u>	<u>-</u>
Net Change in Fund Balance	89,214	(15,786)	9,189	24,975
Fund Balance, Beginning of Year	<u>126,586</u>	<u>126,586</u>	<u>126,586</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 215,800</u>	<u>\$ 110,800</u>	<u>\$ 135,775</u>	<u>\$ 24,975</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Law Enforcement Grants Fund
For the Fiscal Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Subventions and grants	\$ 81,345	\$ 100,000	\$ 104,253	\$ 4,253
Charges for services		15,910	355	(15,555)
Total Revenues	<u>81,345</u>	<u>115,910</u>	<u>104,608</u>	<u>(11,302)</u>
Expenditures:				
Public Safety		169,048	108,521	(60,527)
Capital Projects		69,607		(69,607)
Total Expenditures	<u>-</u>	<u>238,655</u>	<u>108,521</u>	<u>(130,134)</u>
Excess of Revenues Over (Under) Expenditures	<u>81,345</u>	<u>(122,745)</u>	<u>(3,913)</u>	<u>118,832</u>
Other Financing Uses:				
Operating transfers out	<u>-</u>	<u>(13,800)</u>	<u>(13,800)</u>	<u>-</u>
Net Change in Fund Balance	81,345	(136,545)	(17,713)	118,832
Fund Balance, Beginning of Year	<u>20,786</u>	<u>20,786</u>	<u>20,786</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 102,131</u>	<u>\$ (115,759)</u>	<u>\$ 3,073</u>	<u>\$ 118,832</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Public Art Contributions Fund
For the Fiscal Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 2,100	\$ 2,100	\$ 5,475	\$ 3,375
Other revenues	35,500	35,500	70,575	35,075
Total Revenues	<u>37,600</u>	<u>37,600</u>	<u>76,050</u>	<u>38,450</u>
Expenditures:				
Leisure, cultural and social services			25,043	25,043
Capital Projects	49,700	135,097		(135,097)
Total Expenditures	<u>49,700</u>	<u>135,097</u>	<u>25,043</u>	<u>(110,054)</u>
Excess of Revenues Over (Under) Expenditures	<u>(12,100)</u>	<u>(97,497)</u>	<u>51,007</u>	<u>148,504</u>
Net Change in Fund Balance	(12,100)	(97,497)	51,007	148,504
Fund Balance, Beginning of Year	<u>468,878</u>	<u>468,878</u>	<u>468,878</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 456,778</u>	<u>\$ 371,381</u>	<u>\$ 519,885</u>	<u>\$ 148,504</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Insurance Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$	\$ -	\$ 10,519	\$ 10,519
Total Revenues	<u>-</u>	<u>-</u>	<u>10,519</u>	<u>10,519</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>10,519</u>	<u>10,519</u>
Other Financing Uses:				
Operating transfers in	<u>500,000</u>	<u>500,000</u>	<u>750,000</u>	<u>250,000</u>
Net Change in Fund Balance	500,000	500,000	760,519	260,519
Fund Balance, Beginning of Year	<u>1,019,032</u>	<u>1,019,032</u>	<u>1,019,032</u>	<u>-</u>
Fund Balance, End of Year	<u>\$1,519,032</u>	<u>\$ 1,519,032</u>	<u>\$1,779,551</u>	<u>\$ 260,519</u>

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
SB1 Road Repair Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Use of money and property	\$	\$	\$ 1,318	\$ 1,318
Charges for services	-	313,300	286,269	(27,031)
Total Revenues	-	313,300	287,587	(25,713)
Excess of Revenues Over (Under) Expenditures	-	313,300	287,587	(25,713)
Net Change in Fund Balance	-	313,300	287,587	(25,713)
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ 313,300	\$ 287,587	\$ (25,713)

City of San Luis Obispo, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Debt Service Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$	\$	\$ 9,207	\$ 9,207
Total Revenues	<u>-</u>	<u>-</u>	<u>9,207</u>	<u>9,207</u>
Expenditures:				
General government			10,690	10,690
Principal	2,207,262	2,207,262	1,019,777	(1,187,485)
Interest and fiscal charges	1,167,495	1,167,495	1,517,605	350,110
Total Expenditures	<u>3,374,757</u>	<u>3,374,757</u>	<u>2,548,072</u>	<u>(826,685)</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,374,757)</u>	<u>(3,374,757)</u>	<u>(2,538,865)</u>	<u>835,892</u>
Other Financing Uses:				
Operating transfers in	3,374,757	3,374,757	3,865,767	491,010
Operating transfers out			(1,793,404)	(1,793,404)
Total Other Financing Uses	<u>3,374,757</u>	<u>3,374,757</u>	<u>2,072,363</u>	<u>(1,302,394)</u>
Net Change in Fund Balance	-	-	(466,502)	(466,502)
Fund Balance, Beginning of Year	<u>2,125,253</u>	<u>2,125,253</u>	<u>2,125,253</u>	<u>-</u>
Fund Balance, End of Year	<u>\$2,125,253</u>	<u>\$2,125,253</u>	<u>\$1,658,751</u>	<u>\$ (466,502)</u>

City of San Luis Obispo, California
Agency Funds
For the Fiscal Year Ended June 30, 2018

The City of San Luis Obispo has established the following agency funds, which are used to account for funds held by the City as an agent for private donations and programs operated jointly with other local agencies:

Whale Rock Fund. This fund was established to account for the financial activities of the Whale Rock Commission, a joint venture providing water service to the City, the California Polytechnic State University, and the California Men's Colony.

Jack House Fund. This fund was established to account for the financial activities of the Jack House Committee, which includes the rehabilitation and use of a use of the historic Jack House property.

Bomb Task Force Fund. This fund was established to account for the financial activities of the County task force.

Hazardous Materials Task Force Fund. This fund was established to account for the financial activities of the County task force.

General Agency Fund. This fund was established to account for a broad category of funds, including donations, provided to the City to be utilized for specific purposes.

Duvall Fund. This fund was established to account for a bequest by Mary Jane Duvall to assist in civic and beautification projects in the Mission Plaza area and extensions.

Boysen Ranch Conservation Easement Fund. This fund was established to account for contributions toward obtaining a conservation easement on the Boysen Ranch property.

Cable Television Public, Educational and Government Funds (PEG) for the City of San Luis Obispo, San Luis Coastal Unified School District (SLCUSD) and San Luis Obispo County Public Access, Inc. Public Access Television (PAT). These funds account for collections by Charter Communications from its customers for PEG access equipment and facilities. The City of San Luis Obispo, SLCUSD and PAT annually receive equal shares of collections, restricted for approved uses as stipulated in the cable franchise agreement.

City of San Luis Obispo, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2018

	Balance			Balance
	June 30, 2017	Additions	Deductions	June 30, 2018
Whale Rock Fund				
Assets				
Cash and cash equivalents	\$ 38,124	\$ 1,445,305	\$ 1,340,993	\$ 142,436
Investments	1,687,073	182,519		1,869,592
Accounts receivable	18,102	781,396	768,055	31,443
Accrued interest receivable	5,609	7,945	5,609	7,945
Prepaid expense	4,200	6,100	4,200	6,100
Deferred outflows of resources - pensions	265,920		9,465	256,455
Deferred outflows of resources - OPEB		11,764		11,764
Capital assets, net of accumulated depreciation	1,058,352	251,549	121,143	1,188,758
Total Assets	\$ 3,077,380	\$ 2,686,578	\$ 2,249,465	\$ 3,514,493
Liabilities				
Accounts payable	\$ 57,467	\$ 595,008	\$ 622,854	\$ 29,621
Accrued salaries	28,926	14,524	2,569	40,881
Other liabilities	22,213		5,207	17,006
Net pension liability	1,211,508	166,462		1,377,970
Net OPEB liability		127,770		127,770
Deferred inflows of resources - pensions	111,456		104,993	6,463
Deferred inflows of resources - OPEB		2,504		2,504
Due to agency participants	1,645,810	488,834	222,366	1,912,278
Total Liabilities	\$ 3,077,380	\$ 1,395,102	\$ 957,989	\$ 3,514,493
Jack House Fund				
Assets				
Cash and cash equivalents	\$ 15,895	\$ 1,551	\$ 178	\$ 17,268
Accrued interest receivable	47	68	47	68
Total Assets	\$ 15,942	\$ 1,619	\$ 225	\$ 17,336
Liabilities				
Accounts payable	\$ 6	\$ 29	\$ 35	\$ -
Other liabilities	15,936	1,573	173	17,336
Total Liabilities	\$ 15,942	\$ 1,602	\$ 208	\$ 17,336

City of San Luis Obispo, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds, continued
For the Fiscal Year Ended June 30, 2018
Page 2

	Balance			Balance
	June 30, 2017	Additions	Deductions	June 30, 2018
Bomb Task Force Fund				
Assets				
Cash and cash equivalents	\$ 300,942	\$ 909	\$ 301,851	\$ -
Accrued interest receivable	909		909	-
Total Assets	\$ 301,851	\$ 909	\$ 302,760	\$ -
Liabilities				
Accounts payable	\$ 300,769	\$ 1,081	\$ 301,850	\$ -
Due to agency participants	1,082	89,479	90,561	-
Total Liabilities	\$ 301,851	\$ 90,560	\$ 392,411	\$ -
	Balance			Balance
	June 30, 2017	Additions	Deductions	June 30, 2018
Hazardous Materials Task Force Fund				
Assets				
Cash and cash equivalents	\$ 104,981	\$ 66,971	\$ 46,173	\$ 125,779
Accrued interest receivable	328	537	328	537
Total Assets	\$ 105,309	\$ 67,508	\$ 46,501	\$ 126,316
Liabilities				
Accounts payable	\$ 4,306	\$ 29,083	\$ 32,572	\$ 817
Accrued salaries	\$ 62	122	62	122
Due to agency participants	100,941	98,032	73,596	125,377
Total Liabilities	\$ 105,309	\$ 127,237	\$ 106,230	\$ 126,316
	Balance			Balance
	June 30, 2017	Additions	Deductions	June 30, 2018
General Agency Fund				
Assets				
Cash and cash equivalents	\$ 1,402,807	\$ 1,265,517	\$ 1,123,826	\$ 1,544,498
Other assets	30,864			30,864
Total Assets	\$ 1,433,671	\$ 1,265,517	\$ 1,123,826	\$ 1,575,362
Liabilities				
Accounts payable	\$ 106,647	\$ 1,009,625	\$ 1,001,666	\$ 114,606
Other liabilities	1,327,024	1,272,720	1,138,988	1,460,756
Total Liabilities	\$ 1,433,671	\$ 2,282,345	\$ 2,140,654	\$ 1,575,362

City of San Luis Obispo, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds, continued
For the Fiscal Year Ended June 30, 2018
Page 3

	Balance			Balance
	June 30, 2017	Additions	Deductions	June 30, 2018
Duvall Fund				
Assets				
Cash and cash equivalents	\$ 159,286	\$ 1,884	\$ 277	\$ 160,893
Accrued interest receivable	480	640	481	639
Total Assets	<u>\$ 159,766</u>	<u>\$ 2,524</u>	<u>\$ 758</u>	<u>\$ 161,532</u>
Liabilities				
Other liabilities	\$ 159,766	\$ 2,043	\$ 277	\$ 161,532
Total Liabilities	<u>\$ 159,766</u>	<u>\$ 2,043</u>	<u>\$ 277</u>	<u>\$ 161,532</u>
	Balance			Balance
	June 30, 2017	Additions	Deductions	June 30, 2018
Boysen Ranch Conservation Easement				
Assets				
Cash and cash equivalents	\$ 398,505	\$ 4,711	\$ 942	\$ 402,274
Accrued interest receivable	1,202	1,599	1,202	1,599
Total Assets	<u>\$ 399,707</u>	<u>\$ 6,310</u>	<u>\$ 2,144</u>	<u>\$ 403,873</u>
Liabilities				
Accounts payable	\$ 24,567	\$ 250	\$ 250	\$ 24,567
Other liabilities	375,140	21,858	17,692	379,306
Total Liabilities	<u>\$ 399,707</u>	<u>\$ 22,108</u>	<u>\$ 17,942</u>	<u>\$ 403,873</u>
	Balance			Balance
	June 30, 2017	Additions	Deductions	June 30, 2018
PEG - City of San Luis Obispo				
Assets				
Cash and cash equivalents	\$ 179,345	\$ 51,222	\$ 12,381	\$ 218,186
Accounts receivable	-	10,606		10,606
Accrued interest receivable	488	849	488	849
Total Assets	<u>\$ 179,833</u>	<u>\$ 62,677</u>	<u>\$ 12,869</u>	<u>\$ 229,641</u>
Liabilities				
Accounts payable	\$	\$ 21,085	\$ 12,018	\$ 9,067
Other liabilities	179,833	62,188	21,447	220,574
Total Liabilities	<u>\$ 179,833</u>	<u>\$ 83,273</u>	<u>\$ 33,465</u>	<u>\$ 229,641</u>

City of San Luis Obispo, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds, continued
For the Fiscal Year Ended June 30, 2018
Page 4

	Balance			Balance
	June 30, 2017	Additions	Deductions	June 30, 2018
PEG - SLCUSD				
Assets				
Cash and cash equivalents	\$ 269,177	\$ 32,237	\$ 32,747	\$ 268,667
Accounts receivable	-	10,606		10,606
Accrued interest receivable	763	1,068	763	1,068
Total Assets	\$ 269,940	\$ 43,911	\$ 33,510	\$ 280,341
Liabilities				
Other liabilities	\$ 269,940	\$ 43,148	\$ 32,747	\$ 280,341
Total Liabilities	\$ 269,940	\$ 43,148	\$ 32,747	\$ 280,341
	Balance			Balance
	June 30, 2017	Additions	Deductions	June 30, 2018
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 2,869,062	\$ 2,870,307	\$ 2,859,368	\$ 2,880,001
Investments	1,687,073	182,519		1,869,592
Accounts receivable	18,102	802,608	768,055	52,655
Accrued interest receivable	9,826	12,706	9,827	12,705
Other assets	35,064	6,100	4,200	36,964
Deferred outflows of resources	265,920	11,764	9,465	268,219
Capital assets, net of accumulated depreciation	1,058,352	251,549	121,143	1,188,758
Total Assets	\$ 5,943,399	\$ 4,137,553	\$ 3,772,058	\$ 6,308,894
Liabilities				
Accounts payable	\$ 493,762	\$ 1,656,161	\$ 1,971,245	\$ 178,678
Accrued salaries	28,988	14,646	2,631	41,003
Other liabilities	2,349,852	1,403,530	1,216,531	2,536,851
Net pension liability	1,211,508	166,462		1,377,970
Net OPEB liability	-	127,770		127,770
Deferred inflows of resources	111,456	2,504	104,993	8,967
Due to agency participants	1,747,833	676,345	386,523	2,037,655
Total Liabilities	\$ 5,943,399	\$ 4,047,418	\$ 3,681,923	\$ 6,308,894



STATISTICAL SECTION (UNAUDITED)

City of San Luis Obispo, California
Statistical Section Overview
June 30, 2018

This part of the City of San Luis Obispo's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends – Schedules 1-6. These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity – Schedules 7-13. These schedules contain information to help the reader assess the government's most significant local revenue sources, sales and property taxes.

Debt Capacity – Schedules 14-19. These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information – Schedules 20-22. These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information – Schedules 23-26. These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.

Schedule 1
City of San Luis Obispo, California
Net Positions by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Governmental activities:										
Net investment in capital assets	\$ 119,425,100	\$ 129,416,800	\$ 133,145,800	\$ 141,686,600	\$ 142,239,500	\$ 145,266,043	\$ 150,430,226	\$ 163,449,992	\$ 165,100,426	\$ 171,472,251
Restricted	2,510,500	2,569,800	2,543,800	2,620,700	2,374,800	4,825,662	2,350,838	2,762,387	2,268,499	421,954
Unrestricted	38,928,500	26,204,500	26,401,500	23,583,000	29,927,200	(66,610,104)	(57,421,778)	(49,031,893)	(41,514,301)	(49,909,657)
Total governmental activities net position	<u>\$ 160,864,100</u>	<u>\$ 158,191,100</u>	<u>\$ 162,091,100</u>	<u>\$ 167,890,300</u>	<u>\$ 174,541,500</u>	<u>\$ 83,481,601</u>	<u>\$ 95,359,286</u>	<u>\$ 117,180,486</u>	<u>\$ 125,854,624</u>	<u>\$ 121,984,548</u>
Business-type activities:										
Net investment in capital assets	\$ 109,675,900	\$ 112,395,800	\$ 117,314,700	\$ 119,957,600	\$ 123,510,200	\$ 119,116,303	\$ 125,801,845	\$ 128,390,611	\$ 131,149,516	\$ 136,694,402
Restricted	3,918,600	2,763,700	2,777,100	2,293,900	2,254,200	2,248,979	2,261,213	2,278,392	2,276,526	1,558,795
Unrestricted	31,329,500	38,245,900	36,493,600	37,759,000	41,712,200	35,224,987	42,117,143	49,495,220	52,714,457	50,866,147
Total business-type activities net position	<u>\$ 144,924,000</u>	<u>\$ 153,405,400</u>	<u>\$ 156,585,400</u>	<u>\$ 160,010,500</u>	<u>\$ 167,476,600</u>	<u>\$ 156,590,269</u>	<u>\$ 170,180,201</u>	<u>\$ 180,164,223</u>	<u>\$ 186,140,499</u>	<u>\$ 189,119,344</u>
Primary government (City wide totals):										
Net investment in capital assets	\$ 229,101,000	\$ 241,812,600	\$ 250,460,500	\$ 261,644,200	\$ 265,749,700	\$ 264,382,346	\$ 276,232,071	\$ 291,840,603	\$ 296,249,942	\$ 308,166,653
Restricted	6,429,100	5,333,500	5,320,900	4,914,600	4,629,000	7,074,641	4,612,051	5,040,779	4,545,025	1,980,749
Unrestricted	70,258,000	64,450,400	62,895,100	61,342,000	71,639,400	(31,385,117)	(15,304,635)	463,327	11,200,156	956,490
Total primary government net position	<u>\$ 305,788,100</u>	<u>\$ 311,596,500</u>	<u>\$ 318,676,500</u>	<u>\$ 327,900,800</u>	<u>\$ 342,018,100</u>	<u>\$ 240,071,870</u>	<u>\$ 265,539,487</u>	<u>\$ 297,344,709</u>	<u>\$ 311,995,123</u>	<u>\$ 311,103,892</u>

Schedule 2
City of San Luis Obispo, California
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
For The Fiscal Year Ended June 30

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Expenses:										
Governmental activities:										
Public safety	\$ 29,330,300	\$ 27,687,200	\$ 26,774,800	\$ 27,993,900	\$ 28,859,200	\$ 29,651,702	\$ 26,881,732	\$ 29,318,821	\$ 31,806,692	\$ 42,097,557
Transportation	6,619,300	7,116,400	8,809,400	7,778,000	8,551,500	8,975,047	11,457,311	8,792,028	9,668,840	9,229,042
Leisure, cultural and social services	9,778,900	9,445,600	9,299,200	9,500,300	10,078,700	10,239,853	10,332,740	9,808,545	9,824,262	11,125,792
Community development	8,233,600	11,020,400	8,166,300	8,782,200	8,866,900	10,183,782	10,960,778	12,900,275	14,656,604	13,457,993
Interest on long-term debt	951,500	1,348,100	1,248,400	1,198,000	1,217,200	1,221,205	1,015,011	1,351,468	1,170,984	1,488,183
Total governmental activities expenses	54,913,600	56,617,700	54,298,100	55,252,400	57,573,500	60,271,589	60,647,572	62,171,137	67,127,382	77,398,567
Business-type activities:										
Water	11,532,900	11,323,200	16,106,300	17,455,200	17,019,000	17,575,961	17,128,041	18,136,120	19,069,967	19,523,736
Sewer	9,250,200	9,153,200	9,633,900	9,530,400	10,189,400	10,647,255	10,132,214	10,842,451	11,683,262	14,158,612
Parking	3,704,700	3,494,300	3,501,500	3,598,000	3,678,600	3,636,607	3,556,637	3,900,052	3,791,493	4,098,840
Transit	3,199,200	3,295,500	3,409,700	3,778,900	3,903,900	4,059,138	3,994,194	4,088,423	4,076,871	4,355,103
Golf	722,100	708,400	724,100	-	-	-	-	-	-	-
Total business-type activities expenses	28,409,100	27,974,600	33,375,500	34,362,500	34,790,900	35,918,961	34,811,086	36,967,046	38,621,593	42,136,291
Total primary government expenses	\$ 83,322,700	\$ 84,592,300	\$ 87,673,600	\$ 89,614,900	\$ 92,364,400	\$ 96,190,550	\$ 95,458,658	\$ 99,138,183	\$ 105,748,975	\$ 119,534,858
Program Revenues:										
Governmental activities:										
Charges for services:										
Public safety	\$ 1,508,600	\$ 1,501,500	\$ 1,745,200	\$ 1,750,700	\$ 1,599,000	\$ 1,589,278	\$ 1,697,748	\$ 1,673,800	\$ 1,771,383	\$ 1,881,725
Transportation	1,492,800	241,700	2,690,200	418,000	221,200	1,321,323	1,270,787	1,691,757	1,793,010	1,669,563
Leisure, cultural and social services	1,470,000	1,304,700	1,421,600	1,834,200	1,926,800	3,048,274	2,155,411	2,048,780	3,501,837	3,487,225
Community development	3,107,400	2,917,700	3,166,200	4,563,200	4,126,400	4,981,211	7,210,132	7,974,880	8,144,128	7,355,831
Operating grants and contributions	3,671,200	2,052,000	1,885,100	2,152,700	2,814,700	2,412,469	2,509,323	2,667,058	2,488,706	4,015,502
Capital grants and contributions	5,320,500	2,946,800	3,066,300	2,021,800	1,991,900	3,680,440	7,911,867	9,355,707	40,531	39,781
Total governmental activities program revenues	16,570,500	10,964,400	13,974,600	12,740,600	12,680,000	17,032,995	22,755,268	25,411,982	17,739,595	18,449,627

Schedule 2
City of San Luis Obispo, California
Changes in Net Position, continued
Last Ten Fiscal Years
(Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Business-type activities:										
Charges for services:										
Water	\$ 13,836,000	\$ 13,812,100	\$ 14,298,100	\$ 16,753,100	\$ 18,148,200	\$ 19,755,909	\$ 20,446,730	\$ 19,884,850	\$ 19,766,876	\$ 22,202,069
Sewer	11,785,200	13,225,100	13,320,400	14,789,700	16,212,000	17,151,212	18,007,064	16,460,140	15,979,943	16,753,094
Parking	3,508,100	3,496,100	3,564,700	3,533,300	4,693,400	3,998,730	4,905,494	7,408,729	4,666,970	5,226,780
Transit	607,000	551,600	593,100	552,900	682,700	688,585	649,899	659,471	666,296	703,451
Golf	382,200	394,600	364,000	-	-	-	-	-	-	-
Operating grants and contributions	2,192,200	2,350,200	2,220,700	2,502,500	2,673,500	2,458,640	3,148,651	2,888,820	4,180,386	3,099,618
Capital grants and contributions	1,627,300	952,300	1,242,000	750,900	731,300	82,359	60,063	-	-	-
Total business-type activities programs revenues	<u>33,938,000</u>	<u>34,782,000</u>	<u>35,603,000</u>	<u>38,882,400</u>	<u>43,141,100</u>	<u>44,135,435</u>	<u>47,217,901</u>	<u>47,302,010</u>	<u>45,260,471</u>	<u>47,985,012</u>
Total primary government program revenues	<u>\$ 50,508,500</u>	<u>\$ 45,746,400</u>	<u>\$ 49,577,600</u>	<u>\$ 51,623,000</u>	<u>\$ 55,821,100</u>	<u>\$ 61,168,430</u>	<u>\$ 69,973,169</u>	<u>\$ 72,713,992</u>	<u>\$ 63,000,066</u>	<u>\$ 66,434,639</u>
Net Revenues (Expenses):										
Governmental activities	\$ (38,343,100)	\$ (45,653,300)	\$ (40,323,500)	\$ (42,511,800)	\$ (44,893,500)	\$ (43,238,594)	\$ (37,892,304)	\$ (36,759,155)	\$ (49,387,787)	\$ (58,948,940)
Business-type activities	5,528,900	6,807,400	2,227,500	4,519,900	8,350,200	8,216,474	12,406,815	10,334,964	7,345,523	5,848,721
Total primary government	<u>\$ (32,814,200)</u>	<u>\$ (38,845,900)</u>	<u>\$ (38,096,000)</u>	<u>\$ (37,991,900)</u>	<u>\$ (36,543,300)</u>	<u>\$ (35,022,120)</u>	<u>\$ (25,485,489)</u>	<u>\$ (26,424,191)</u>	<u>\$ (42,042,264)</u>	<u>\$ (53,100,219)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Sales and use taxes	\$ 17,712,100	\$ 15,976,400	\$ 17,714,900	\$ 19,527,500	\$ 20,736,000	\$ 22,180,173	\$ 22,408,980	\$ 24,676,377	\$ 24,068,665	\$ 24,559,570
Property taxes	8,788,400	8,579,300	8,441,100	8,367,000	9,176,600	8,960,010	9,631,890	10,186,858	10,756,477	11,425,510
Transient occupancy tax	4,679,500	4,496,100	4,844,200	5,222,000	5,572,400	6,063,232	6,805,742	7,127,756	7,381,989	7,514,289
Utility users tax	4,358,500	4,862,400	4,592,300	4,584,100	4,916,100	5,345,342	5,211,207	5,413,720	5,539,407	5,627,356
Property tax in-lieu of vehicle license fees	3,504,700	3,565,100	3,551,100	3,492,400	3,533,200	3,645,692	3,849,341	4,113,244	4,353,912	4,637,253
Other taxes and fees	4,317,900	4,226,800	4,149,900	4,299,800	4,607,600	4,779,570	4,993,285	4,800,592	3,911,917	5,006,594
Investment earnings	1,775,300	1,239,500	742,500	770,100	237,100	566,931	467,348	825,760	997,995	164,434
Miscellaneous and other	400,800	339,600	414,700	227,200	349,900	679,127	707,781	-	-	-
Special item - sale of land	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	-	(3,400)	-	-	(11,000)	-	-	-	-	-
Prior period adjustment	-	-	-	-	2,657,100	(833,234)	-	-	-	-
Cumulative change in accounting principle (GASB 65)	-	-	-	-	(345,400)	-	-	-	-	-
Transfers	(335,000)	(301,500)	(227,200)	1,820,900	115,100	(73,771)	(329,452)	1,436,048	1,051,563	1,198,027
Total governmental activities	<u>45,202,200</u>	<u>42,980,300</u>	<u>44,223,500</u>	<u>48,311,000</u>	<u>51,544,700</u>	<u>51,313,072</u>	<u>53,746,122</u>	<u>58,580,355</u>	<u>58,061,925</u>	<u>60,133,033</u>

Schedule 2
City of San Luis Obispo, California
Changes in Net Position, continued
Last Ten Fiscal Years
(Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Business-type activities										
Investment earnings	\$ 1,699,600	\$ 1,372,500	\$ 725,300	\$ 726,100	\$ 73,500	\$ 364,551	\$ 361,627	\$ 845,906	\$ 182,261	\$ 320,471
Cumulative change in accounting principle					(842,600)					
Income from investment in joint venture							239,200	206,700	209,300	
Transfers	335,000	301,500	227,200	(1,820,900)	(115,100)	73,771	329,452	(1,436,048)	(1,051,563)	(1,198,027)
Total business-type activities	<u>2,034,600</u>	<u>1,674,000</u>	<u>952,500</u>	<u>(1,094,800)</u>	<u>(884,200)</u>	<u>438,322</u>	<u>691,079</u>	<u>(350,942)</u>	<u>(662,602)</u>	<u>(668,256)</u>
Total primary government	<u>\$ 47,236,800</u>	<u>\$ 44,654,300</u>	<u>\$ 45,176,000</u>	<u>\$ 47,216,200</u>	<u>\$ 50,660,500</u>	<u>\$ 51,751,394</u>	<u>\$ 54,437,201</u>	<u>\$ 58,229,413</u>	<u>\$ 57,399,323</u>	<u>\$ 59,464,777</u>
Change in net position:										
Governmental activities	\$ 6,859,100	\$ (2,673,000)	\$ 3,900,000	\$ 5,799,200	\$ 6,651,200	\$ 8,074,478	\$ 15,853,818	\$ 21,821,200	\$ 8,674,138	\$ 1,184,093
Business-type activities	7,563,500	8,481,400	3,180,000	3,425,100	7,466,000	8,654,796	13,097,894	9,984,022	6,682,921	5,180,465
Total primary government	<u>\$ 14,422,600</u>	<u>\$ 5,808,400</u>	<u>\$ 7,080,000</u>	<u>\$ 9,224,300</u>	<u>\$ 14,117,200</u>	<u>\$ 16,729,274</u>	<u>\$ 28,951,712</u>	<u>\$ 31,805,222</u>	<u>\$ 15,357,059</u>	<u>\$ 6,364,558</u>

Schedule 3
City of San Luis Obispo, California
Governmental Activities Tax and Franchise Revenues by Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

Fiscal Year	Sales and Use	Measure Y 1/2 cent	Property (Note 1)	Transient Occupancy	Utility Users	Property in-lieu of VLF	Franchise Fees	Business Tax	Other Taxes	Total
2008-09	\$ 12,070,700	\$ 5,641,400	\$ 8,788,400	\$ 4,679,500	\$4,358,500	\$ 3,504,700	\$ 2,439,400	\$ 1,878,500	\$234,300	\$ 43,595,400
2009-10	10,723,900	5,252,500	8,579,300	4,496,100	4,862,400	3,565,100	2,396,700	1,830,100	204,600	41,910,700
2010-11	12,098,600	5,616,300	8,441,100	4,844,200	4,592,300	3,551,100	2,352,100	1,797,800	209,100	43,502,600
2011-12	13,290,000	6,237,500	8,367,000	5,222,000	4,584,100	3,492,400	2,462,300	1,837,500	227,200	45,720,000
2012-13	14,242,200	6,493,800	9,176,600	5,572,400	4,916,100	3,533,200	2,552,300	2,055,300	349,900	48,891,800
2013-14	15,405,808	6,774,365	8,960,010	6,063,232	5,345,692	3,645,692	2,636,599	2,142,971	679,127	51,653,496
2014-15	15,272,683	7,136,297	9,631,890	6,805,742	5,211,207	3,849,341	2,790,077	2,203,208	707,781	53,608,226
2015-16	17,498,218	7,178,159	10,186,858	7,127,756	5,413,720	4,113,244	1,537,922	2,491,516	771,154	56,318,547
2016-17	16,737,005	7,331,660	10,756,477	7,381,989	5,539,407	4,353,912	1,557,128	2,372,249	737,826	56,767,653
2017-18	17,055,085	7,504,485	11,425,510	7,514,289	5,627,356	4,637,253	1,597,655	2,663,686	745,253	58,770,572

Notes:

- Property tax revenues are presented net of SB2557 County administrative fees (approximately 3% of total property tax revenues).
The City has elected to receive its property tax revenues based on the Teeter Plan method of collection whereby the County remits 100% of taxes levied, pursues collection and retains any delinquent taxes and related penalties and interest.
- In November 2014 voters in San Luis Obispo reauthorized the local Half -percent sales and use tax measure (Measure G) .

Schedule 4
City of San Luis Obispo, California
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
General fund:										
Reserved	\$ 291,500	\$ 201,800	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved:										
Designated	125,000	923,500								
Undesignated	13,575,400	9,988,800								
Nonspendable:										
Prepaid items					2,777,000	3,191,055	60,181	56,020	3,173,248	3,520,473
Restricted for: (Note 1)										
Debt service			258,100	602,800	331,600	312,037	303,126	489,056	128,102	159,724
Committed to: (Note 1)										
General government programs			317,500	1,288,200	1,768,200	4,973,497	3,942,459	4,468,863	9,428,034	8,693,113
Assigned to:										
Contingency Fund						10,458,000	10,486,931	11,092,782	10,902,368	10,171,464
Development Services							1,848,386	382,396	41,110	596,796
Safety Fire							97,239			
City Attorney									100,000	100,000
Subsequent years expenditures			8,200	11,900				2,716,534		
Unassigned			<u>12,324,100</u>	<u>11,781,500</u>	<u>14,060,900</u>	<u>1,382,590</u>	<u>7,828,485</u>	<u>10,419,881</u>	<u>2,723,292</u>	<u>6,334,870</u>
Total general fund	<u>13,991,900</u>	<u>11,114,100</u>	<u>12,907,900</u>	<u>13,684,400</u>	<u>18,937,700</u>	<u>20,317,179</u>	<u>24,566,807</u>	<u>29,625,532</u>	<u>26,496,154</u>	<u>29,576,440</u>

Schedule 4
City of San Luis Obispo, California
Fund Balances of Governmental Funds, continued
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
All other governmental funds:										
Reserved	\$ 10,038,200	\$ 6,932,600								
Unreserved reported in:										
Capital projects funds	19,748,900	1,245,000								
Special revenue funds	626,900	920,300								
Unspendable									5,642	(71,687)
Restricted for: (Note 1)										
Debt service			2,285,700	2,017,900	2,043,200	2,043,222	2,140,980	2,119,724	2,119,611	1,653,109
Law enforcement grant programs			42,000	20,500	22,900	27,145	16,886	23,492	20,786	3,073
Committed to:										
Affordable housing programs			294,000	1,052,000	1,254,900	2,946,847	2,601,882	2,562,825	5,054,332	3,974,629
Assessment district programs			170,700	183,000						
Capital outlay			1,172,800	1,227,700	1,326,000	6,045,091	3,632,641	2,954,223		
General government programs						4,743,552	1,084,221	7,463,605		8,092,594
Impact Fees Programs			4,350,000	4,069,800	3,542,700	411,592	9,410,273	549,349	8,795,074	595,256
Open space programs				183,400	194,300	1,582,425	983,402	1,265,620	588,743	2,363,347
Parkland development programs			998,900	1,057,100	1,209,600				2,728,883	
Contingency fund										519,885
Public art programs			293,700	373,700	347,400					
Assigned to:										
Contingency fund									900,000	900,000
Subsequent years expenditures			8,997,800	4,359,300	5,413,900	3,552,319	2,606,757	3,559,851	5,846,873	5,861,455
Unassigned					(2,500)	1,039	(83)			
Total all other governmental funds		<u>9,097,900</u>	<u>18,605,600</u>	<u>14,544,400</u>	<u>15,352,400</u>	<u>21,353,232</u>	<u>22,476,959</u>	<u>20,498,689</u>	<u>26,059,944</u>	<u>23,891,661</u>
Total all governmental funds	<u>\$ 13,991,900</u>	<u>\$ 20,212,000</u>	<u>\$ 31,513,500</u>	<u>\$ 28,228,800</u>	<u>\$ 34,290,100</u>	<u>\$ 41,670,411</u>	<u>\$ 47,043,766</u>	<u>\$ 50,124,221</u>	<u>\$ 52,556,098</u>	<u>\$ 53,468,101</u>

Note:
The City implemented GASB Statement No. 54 in the 2010-11 fiscal year which requires the City to use new designations of ending fund balances.

Schedule 5
City of San Luis Obispo, California
Revenues, Expenditures and Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Revenues:										
Taxes										
Sales and Use - general	\$ 12,070,700	\$ 10,723,900	\$ 12,098,600	\$ 13,290,000	\$ 14,242,200	\$ 15,405,808	\$ 15,272,683	\$ 17,498,218	\$ 16,737,005	\$ 17,055,085
Sales and Use - Measure Y	5,641,400	5,252,500	5,616,300	6,237,500	6,493,800	6,774,365	7,136,297	7,178,159	7,331,660	7,504,485
Prop. 172 Public Safety	308,400	257,900	271,300	307,400	327,700	391,567	409,590	405,066	405,512	397,488
Property	8,788,400	8,579,300	8,441,100	8,367,000	9,176,600	8,960,010	9,631,890	10,186,858	10,756,477	11,425,510
Transient Occupancy	4,679,500	4,496,100	4,844,200	5,222,000	5,572,400	6,063,232	6,805,742	7,127,756	7,381,989	7,514,289
Utility Users	4,358,500	4,862,400	4,592,300	4,584,100	4,916,100	5,345,342	5,211,207	5,413,720	5,539,407	5,627,356
Property tax in-lieu of VLF (Note 1)	3,504,700	3,565,100	3,551,100	3,492,400	3,533,200	3,645,692	3,849,341	4,113,244	4,353,912	4,637,253
Franchise Fees	2,439,400	2,396,700	2,352,100	2,462,300	2,552,300	2,636,599	2,790,077	1,537,922	1,557,128	1,597,655
Business Tax	1,878,500	1,830,100	1,797,800	1,837,500	2,055,300	2,142,971	2,203,208	2,491,516	2,372,249	2,663,686
Real Property Transfer	159,100	129,000	133,700	144,000	256,300	287,560	298,191	366,088	332,314	347,765
Fines, forfeitures and penalties	261,000	201,700	171,400	174,300	159,700	150,185	184,320	172,353	139,534	199,374
Use of money and property	1,775,300	1,239,500	742,500	770,100	237,100	566,931	467,348	825,760	260,169	164,434
Subventions and grants	-	-	-	-	-	-	-	-	-	4,156,333
Vehicle License Fees (Note 1)	166,500	135,000	205,600	45,600	19,300	-	-	-	-	-
Other subventions and grants	8,774,200	4,837,000	4,776,500	3,932,100	4,603,140	5,989,881	10,858,570	11,771,980	2,624,753	-
Charges for services	6,677,700	5,865,700	9,209,300	8,954,500	8,106,600	11,167,033	12,450,887	13,622,945	15,173,707	14,672,746
Other revenues	1,810,300	398,000	270,500	36,500	526,500	357,469	217,710	242,744	446,456	634,391
Total revenues	<u>63,293,600</u>	<u>54,769,900</u>	<u>59,074,300</u>	<u>59,857,300</u>	<u>62,778,240</u>	<u>69,884,645</u>	<u>77,787,061</u>	<u>82,954,329</u>	<u>75,412,272</u>	<u>78,597,850</u>

Schedule 5
City of San Luis Obispo, California
Revenues, Expenditures and Changes in Fund Balances of Governmental Funds, continued
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Expenditures:										
Current:										
General Government	\$ 6,793,100	\$ 7,253,500	\$ 6,828,700	\$ 8,175,200	\$ 8,723,300	\$ 9,362,031	\$ 10,534,463	\$ 12,409,567	\$ 11,824,360	\$ 12,709,324
Public safety	26,002,400	24,203,800	23,506,100	23,953,200	23,973,400	24,798,500	24,356,077	26,468,454	28,091,747	28,862,906
Transportation	3,224,200	3,019,700	2,901,900	2,865,100	2,798,200	2,882,241	2,969,111	3,317,177	3,780,804	3,565,022
Leisure, cultural and social services	6,598,900	6,279,900	6,268,700	6,704,200	6,790,300	7,155,619	7,250,398	7,428,198	7,712,834	8,571,184
Community development	6,280,800	6,690,200	7,053,500	6,986,300	7,777,400	8,389,957	10,047,272	10,770,827	10,300,894	10,815,667
Debt service:										
Principal	1,159,900	1,550,200	1,774,000	1,493,200	1,543,000	1,534,668	3,856,325	1,792,849	2,101,296	15,665,904
Interest	915,900	1,358,500	1,249,200	1,211,800	1,192,700	1,048,671	1,063,820	1,349,216	1,215,504	1,524,180
Debt issuance costs	-	-	36,000	-	-	-	-	-	-	-
Capital:										
Public safety	1,652,700	4,704,400	494,100	447,900	457,700	892,351	2,371,865	1,220,759	1,772,454	506,491
Transportation	6,177,600	4,237,200	6,913,200	9,121,000	5,228,300	4,859,863	14,302,937	15,038,306	4,161,966	6,419,137
Leisure, cultural and social services	1,213,900	1,188,500	584,500	862,000	395,500	1,272,510	2,399,211	1,463,269	1,499,704	981,768
Community development (Note 2)	1,382,500	3,893,700	884,100	705,300	70,900	939,017	123,258	149,537	2,078,181	525,105
General government	869,700	3,076,800	1,731,400	274,900	429,700	145,199	1,684,045	590,263	633,682	1,192,424
Total expenditures	<u>62,271,600</u>	<u>67,456,400</u>	<u>60,225,400</u>	<u>62,800,100</u>	<u>59,380,400</u>	<u>63,280,627</u>	<u>80,958,782</u>	<u>81,998,422</u>	<u>75,173,426</u>	<u>91,339,112</u>
Excess of revenues over(under) expenditures										
	<u>1,022,000</u>	<u>(12,686,500)</u>	<u>(1,151,100)</u>	<u>(2,942,800)</u>	<u>3,397,840</u>	<u>6,604,018</u>	<u>(3,171,722)</u>	<u>955,907</u>	<u>238,846</u>	<u>(12,741,262)</u>

Schedule 5
City of San Luis Obispo, California
Revenues, Expenditures and Changes in Fund Balances of Governmental Funds, continued
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Other Financing										
Sources(Uses):										
Sale of surplus property	\$ -	\$ -	\$ 393,900	\$ 30,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of debt/refunding debt	9,067,000	-	1,080,000	5,050,000	-	850,775	8,372,323	688,500	1,141,468	12,472,698
Cost of debt issuance	-	-	-	-	(11,500)	-	-	-	-	-
Payment to refunded bond escrow agent	(281,800)	-	-	(5,442,200)	-	-	-	-	-	-
Transfers in	8,655,400	8,081,900	6,464,100	8,121,200	8,407,600	13,834,998	11,682,079	12,747,578	15,739,036	19,815,144
Transfers out	<u>(8,990,400)</u>	<u>(8,383,400)</u>	<u>(6,691,300)</u>	<u>(8,101,100)</u>	<u>(8,292,500)</u>	<u>(13,908,769)</u>	<u>(12,011,531)</u>	<u>(11,311,530)</u>	<u>(14,687,473)</u>	<u>(18,617,117)</u>
Total other financing sources(uses)	<u>8,450,200</u>	<u>(301,500)</u>	<u>1,246,700</u>	<u>(341,900)</u>	<u>103,600</u>	<u>777,004</u>	<u>8,042,871</u>	<u>2,124,548</u>	<u>2,193,031</u>	<u>13,670,725</u>
Net change in fund balance	<u>\$ 9,472,200</u>	<u>\$ (12,988,000)</u>	<u>\$ 95,600</u>	<u>\$ (3,284,700)</u>	<u>\$ 3,501,440</u>	<u>\$ 7,381,022</u>	<u>\$ 4,871,150</u>	<u>\$ 3,080,455</u>	<u>\$ 2,431,877</u>	<u>\$ 929,463</u>
Debt service as a percentage of noncapital expenditures	<u>4.93%</u>	<u>7.24%</u>	<u>7.61%</u>	<u>6.68%</u>	<u>6.62%</u>	<u>5.98%</u>	<u>8.92%</u>	<u>5.20%</u>	<u>5.37%</u>	<u>26.64%</u>

Notes:

- Beginning in 2005-06 the State implemented a "VLF swap," under which an equal amount of Vehicle License Fees was "swapped" for an equal amount of revenues to be collected on the property tax roll.
- Community Development Block Grant (CDBG) expenditures are included in the Community Development total for purposes of this schedule.

Schedule 6
City of San Luis Obispo, California
General Fund Operating Expenditure Trends by Type
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
For the Fiscal Year Ended June 30

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Staffing:										
Salaries and wages:										
Regular salaries	\$ 24,310,100	\$ 24,180,400	\$ 23,848,400	\$ 23,432,400	\$ 23,214,900	\$ 23,242,170	\$ 23,804,510	\$ 24,790,947	\$ 26,944,188	\$ 26,666,447
Temporary salaries	1,851,700	1,592,700	1,507,300	1,626,900	1,812,700	2,191,214	2,137,487	1,964,521	1,793,360	1,711,755
Overtime	3,009,200	2,397,500	2,162,500	2,763,100	3,309,000	3,018,181	3,222,698	3,473,489	3,604,336	4,420,756
Benefits:										
Retirement	8,006,100	7,915,900	7,899,200	8,444,000	7,661,900	7,637,931	7,943,827	9,323,782	10,394,523	10,570,883
Group health/disability ins (Note 1)	3,579,400	3,744,200	3,407,500	3,441,700	3,463,500	3,387,101	3,319,117	3,828,238	4,129,004	4,638,471
Medicare	363,700	370,300	367,100	371,200	384,400	393,913	408,889	418,704	455,966	469,688
Unemployment Reimbursements	24,100	87,600	35,500	26,200	28,800	31,634	48,588	5,159	150,929	61,972
Total staffing	<u>41,144,300</u>	<u>40,288,600</u>	<u>39,227,500</u>	<u>40,105,500</u>	<u>39,875,200</u>	<u>39,902,144</u>	<u>40,885,116</u>	<u>43,804,840</u>	<u>47,472,306</u>	<u>48,539,972</u>
Contract services	4,228,700	3,812,400	3,728,100	4,306,000	5,208,900	5,725,290	5,903,638	6,271,607	6,962,949	6,940,018
Other operating expenditures										
Communications & utilities	1,662,000	1,538,000	1,629,500	1,658,000	1,842,300	2,034,997	1,945,243	2,192,384	2,023,057	2,190,695
Rents & leases	147,700	130,500	141,800	136,800	139,600	197,104	159,718	164,729	170,288	171,909
Insurance:										
General liability & property	1,051,500	1,447,300	1,434,600	1,475,600	1,320,700	1,425,450	1,646,605	1,847,422	1,273,133	1,658,319
Workers compensation	1,017,000	760,500	447,100	594,400	918,000	1,405,916	1,631,585	2,019,722	1,627,423	2,145,046
Other operating expenditures	<u>3,061,900</u>	<u>2,399,300</u>	<u>2,544,400</u>	<u>2,696,500</u>	<u>2,910,900</u>	<u>2,991,619</u>	<u>3,635,542</u>	<u>3,079,347</u>	<u>3,345,191</u>	<u>3,017,537</u>
Total operating expenditures	<u>6,940,100</u>	<u>6,275,600</u>	<u>6,197,400</u>	<u>6,561,300</u>	<u>7,131,500</u>	<u>8,055,086</u>	<u>9,018,693</u>	<u>9,303,604</u>	<u>8,439,092</u>	<u>9,183,506</u>
Minor capital	<u>90,600</u>	<u>38,300</u>	<u>10,800</u>	<u>14,200</u>	<u>99,400</u>	<u>195,473</u>	<u>78,414</u>	<u>92,853</u>	<u>203,098</u>	<u>90,346</u>
Total program expenditures	<u>52,403,700</u>	<u>50,414,900</u>	<u>49,163,800</u>	<u>50,987,000</u>	<u>52,315,000</u>	<u>53,877,993</u>	<u>55,885,861</u>	<u>59,472,903</u>	<u>63,077,445</u>	<u>64,753,842</u>
Reimbursed expenditures	<u>(4,210,800)</u>	<u>(4,264,000)</u>	<u>(4,449,900)</u>	<u>(3,774,900)</u>	<u>(3,732,100)</u>	<u>(3,897,420)</u>	<u>(3,451,208)</u>	<u>(4,008,992)</u>	<u>(4,164,747)</u>	<u>(4,264,633)</u>
Total general fund operating expenditures	<u>\$ 48,192,900</u>	<u>\$ 46,150,900</u>	<u>\$ 44,713,900</u>	<u>\$ 47,212,100</u>	<u>\$ 48,582,900</u>	<u>\$ 49,980,573</u>	<u>\$ 52,434,653</u>	<u>\$ 55,463,911</u>	<u>\$ 58,912,698</u>	<u>\$ 60,489,209</u>

Note:

1. Beginning in 2008-09, the City began to fund retiree health costs on a full accrual basis. The added cost compared with the prior "pay-as-you-go" approach in 2011-12 is \$364,800. While this change in accounting increases costs initially, in the not-so-distant future (about 12 years), it becomes a much less expensive option than continuing "pay-as-you-go" cash funding.

Schedule 7
City of San Luis Obispo, California
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Gross Assessed Valuation (Notes 1 and 2)

Fiscal Year	Homeowners Exemptions	Secured Roll Gross Value	Unitary	Unsecured Roll	TOTAL	Total Direct Tax Rate	Market Value (Note 1)	of Market Value
2008-09	\$ 42,384,800	\$ 5,828,492,800	\$ 5,582,800	\$ 274,186,700	\$ 6,108,262,300	1.00%	\$ 6,108,262,300	100%
2009-10	42,222,400	6,008,936,600	4,904,100	277,718,500	6,291,559,200	1.00%	6,291,559,200	100%
2010-11	41,929,800	5,985,294,700	5,505,000	279,434,500	6,270,234,200	1.00%	6,270,234,200	100%
2011-12	41,988,100	5,894,189,700	6,842,300	275,800,100	6,176,832,100	1.00%	6,176,832,100	100%
2012-13	41,572,300	5,963,182,500	5,382,272	279,203,900	6,261,931,900	1.00%	6,261,931,900	100%
2013-14	41,327,300	6,152,693,400	5,300,173	295,626,200	6,467,600,400	1.00%	6,467,600,400	100%
2014-15	41,185,200	6,512,370,260	5,032,204	297,325,321	6,814,727,785	1.00%	6,814,727,785	100%
2015-16	41,518,400	6,965,233,454	4,883,115	305,427,553	7,275,544,122	1.00%	7,275,544,122	100%
2016-17	42,109,709	7,393,890,993	5,269,573	303,122,262	7,702,282,828	1.00%	7,702,282,828	100%
2017-18	42,702,377	7,844,131,236	4,369,188	331,183,030	8,179,683,454	1.00%	8,179,683,454	100%

- Notes:
1. Valuations are established by the County Assessor of the County of San Luis Obispo, except for property owned by private utility companies, which is valued by the State of California. The City assumes that Market Values are equal to total Assessed Valuation.
 2. For comparison purposes, gross assessed valuations include homeowners' exemptions. Although these exemptions reduce property tax collections, the revenue loss is reimbursed by the State of California. As such, gross assessed valuation is the revenue base used in establishing property tax-related revenues.

SOURCE: HDL CAFR 2017-18 report - 2017-18 Roll Summary table.

Schedule 8
City of San Luis Obispo, California
Property Tax Rates
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Proposition 13 maximum tax rate (Note 2)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Voter approved indebtedness:										
State water project	0.002	0.002	0.003	0.003	0.004	0.004	0.004	0.004	0.004	0.004
Elementary and high school										
Bond and lease agreements	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total (Notes 1 and 3)	<u>1.002</u>	<u>1.002</u>	<u>1.003</u>	<u>1.003</u>	<u>1.004</u>	<u>1.004</u>	<u>1.004</u>	<u>1.004</u>	<u>1.004</u>	<u>1.004</u>

Notes:

- Property tax rates are levied per \$100 of assessed valuation. The tax rate information provided is for Tax Rate Area 003-000, which is the largest tax rate area in the City.
- The passage of Proposition 13 on June 6, 1978 established a maximum County-wide levy for general revenue purposes of 1% of market value. Voter-approved tax rates for the retirement of long-term liabilities were excluded from this limit.
- It is not possible to identify tax rates for individual agencies however, the following is a summary of derived property tax allocations within Tax Rate Area 003-000 for Fiscal Year 2008-09:

	<u>Base</u>	<u>ERAF</u>	<u>Net</u>
	<u>Rate</u>	<u>Allocation</u>	<u>Apportionment</u>
San Luis Coastal Unified School District	36.10		36.10
San Luis Obispo County - General Fund	30.32	(8.1)	22.26
City of San Luis Obispo	18.36 *	(3.5)	14.88
San Luis Obispo Community College District	6.42		6.42
County School Services	3.81		3.81
City/County Library	1.98	(0.3)	1.66
Port San Luis Harbor	1.63	(0.4)	1.19
Other Agencies	1.30	(0.3)	1.00
Education Revenue Augmentation Fund (ERAF)		12.6	12.60
Total	<u>100%</u>	<u>0%</u>	<u>100%</u>

*The County further adjusts the 18.4% base rate for revenue shifts to school districts as directed by the State as part of their cuts to local agencies, resulting in an effective rate for the City of approximately 14.9%.

Source: Prepared by HdL, Coren & Cone

Data source: San Luis Obispo County Assessor 2017-18 Post ERAF TRA Allocation Factors

Schedule 9
City of San Luis Obispo, California
Principal Property Taxpayers
Current Year and Nine Years Ago
For the Fiscal Year Ended June 30

Owner	2017-18				2008-09			
	Number of Parcels	Secured Assessed Value	Rank	Percent of Total City Assessed Value	Number of Parcels	Secured Assessed Value	Rank	Percent of Total City Assessed Value
Jamestown Premir SLO Court Etal	11	\$ 111,274,133	1	1.42%		\$		
CAP VIII Mustang - LLC	4	90,677,099	2	1.16%				
Sierra Vista Hospital Inc.	8	79,938,176	3	1.02%	7	48,990,795	2	0.80%
SLO Promenade Limited Partnership	11	66,134,672	4	0.84%				
Irish Hills Plaza West II LLC	6	48,633,324	5	0.62%	2	33,234,600	5	0.57%
Charles Pasquini Jr Trust	6	48,252,216	6	0.61%	6	42,635,592	3	0.73%
Costco Wholesale Corporation	1	34,853,109	7	0.44%	1	31,638,857	6	0.54%
Bre Atlas Property Owner LLC	1	31,991,984	8	0.41%				
DS Marigold	8	30,987,149	9	0.39%				
Target Corporation	1	30,153,525	10	0.38%				
CSHV Mustang Village					2	73,522,950	1	1.20%
JM Wilson Promenade Properties II LLC					10	39,395,131	4	0.68%
Charter Communications Properties					3	18,902,854	7	0.32%
John E. and Carole D. King					6	24,663,860	8	0.42%
Marigold Center LLC					9	24,525,865	9	0.42%
De Tolosa Ranch LLP					1	22,000,000	10	0.38%
Total		\$ 572,895,387		7.29%		\$ 359,510,504		6.06%

Source: HDL CAFR 2017-18 report - 2017-18 and 2008-09 Top Ten Property Taxpayers tables.

Schedule 10
City of San Luis Obispo, California
Secured Property Tax Roll Levies and Collections
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Fiscal Year	Total Secured Tax Levy (Notes 1 and 2)	Current Year Collections	Percent Collected	Current Year Delinquencies (Note 3)	Percent Delinquent (Note 3)
2008-09	\$ 8,335,400	\$ 8,335,400	100%	0	0
2009-10	8,456,800	8,456,800	100%	0	0
2010-11	8,405,600	8,405,600	100%	0	0
2011-12	8,269,300	8,269,300	100%	0	0
2012-13	8,151,000	8,151,000	100%	0	0
2013-14	8,601,630	8,601,630	100%	0	0
2014-15	9,097,280	9,097,280	100%	0	0
2015-16	9,707,340	9,707,340	100%	0	0
2016-17	10,250,205	10,250,205	100%	0	0
2017-18	10,868,920	10,868,920	100%	0	0

Notes:

1. The secured property tax roll is composed of ad valorem taxes as well as special assessments, and is calculated by the San Luis Obispo County Auditor-Controller. The San Luis Obispo County Tax Collector is responsible for all property tax roll collections within the City of San Luis Obispo. The amount reported is before the SB2557 County administrative fees of approximately 3% of total property tax revenues.
2. The secured levy does not include supplemental assessments, unsecured tax revenues, or prior year adjustments, which can be significant. For example, in 2012-13 revenue to the City from supplemental assessments was \$99,500 and \$215,100 from unsecured. A one-time refund was received from the County Auditor-Controller, refunding \$632,800 representing prior overcharges for the SB2557 fee. Property tax revenues totaled \$8,740,762.
3. The City has elected the Teeter Plan method of property tax collection, whereby the County remits 100% of taxes levied and pursues collection and retains any delinquent taxes and related penalties and interest.

Source: San Luis Obispo County Auditor-Controller - 2017-18 Property Tax Estimates and Delinquencies Report

Schedule 11
City of San Luis Obispo, California
Schedule of Taxable Sales and Permits by Category
Last Ten Calendar Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Sales										
<i>In Thousands of Dollars</i>										
Apparel stores	\$ 61,356	\$ 65,608	\$ 70,582	\$ 71,429	\$ 73,127	\$ 74,471	\$ 74,789	\$ 76,524	\$ 74,403	\$ 75,280
General merchandise stores	145,821	121,921	123,191	148,757	171,797	173,947	179,557	182,541	179,528	182,138
Food and drug stores	41,704	40,841	39,120	40,607	40,860	42,030	43,229	44,868	44,458	46,025
Eating & drinking places	124,278	120,619	120,852	128,855	143,991	149,144	160,568	173,381	179,147	183,489
Building materials & farm tools	113,130	96,091	93,904	104,754	113,532	128,144	135,269	141,800	144,151	162,960
Auto dealers & supplies	199,923	161,310	178,569	193,060	227,556	269,601	287,764	303,902	305,823	318,987
Service stations	89,586	72,158	85,795	105,178	109,224	104,740	103,130	89,773	79,736	83,481
Other retail stores	<u>273,252</u>	<u>247,942</u>	<u>249,820</u>	<u>257,455</u>	<u>264,363</u>	<u>262,935</u>	<u>268,495</u>	<u>276,790</u>	<u>281,091</u>	<u>276,691</u>
Total retail stores	1,049,050	926,490	961,833	1,050,095	1,144,450	1,205,012	1,252,801	1,289,579	1,288,337	1,329,051
All other outlets	<u>252,563</u>	<u>223,240</u>	<u>235,062</u>	<u>278,827</u>	<u>269,489</u>	<u>285,688</u>	<u>300,748</u>	<u>348,998</u>	<u>381,638</u>	<u>375,993</u>
Total	<u><u>1,301,613</u></u>	<u><u>1,149,730</u></u>	<u><u>1,196,895</u></u>	<u><u>1,328,922</u></u>	<u><u>1,413,939</u></u>	<u><u>1,490,700</u></u>	<u><u>1,553,549</u></u>	<u><u>1,638,577</u></u>	<u><u>1,669,975</u></u>	<u><u>1,705,044</u></u>
Permits										
Apparel stores	103	113	120	111	122	131	103	175	163	162
General merchandise stores	27	14	14	14	12	12	14	25	39	36
Food and drug stores	34	42	45	49	53	55	53	58	60	63
Eating & drinking places	196	180	185	188	204	213	239	233	254	297
Home furnishings & appliances	73	88	91	86	88	84	81	88	129	124
Building materials & farm tools	30	40	40	39	41	39	39	41	47	53
Auto dealers & supplies	58	69	70	64	62	60	65	59	98	98
Service stations	21	21	21	17	17	17	17	17	21	16
Other retail stores	<u>348</u>	<u>610</u>	<u>590</u>	<u>579</u>	<u>602</u>	<u>661</u>	<u>722</u>	<u>584</u>	<u>540</u>	<u>497</u>
Total retail stores	890	1,177	1,176	1,147	1,201	1,272	1,333	1,280	1,351	1,346
All other outlets	<u>1,024</u>	<u>672</u>	<u>688</u>	<u>656</u>	<u>666</u>	<u>664</u>	<u>678</u>	<u>872</u>	<u>1074</u>	<u>1,346</u>
Total	<u><u>1,914</u></u>	<u><u>1,849</u></u>	<u><u>1,864</u></u>	<u><u>1,803</u></u>	<u><u>1,867</u></u>	<u><u>1,936</u></u>	<u><u>2,011</u></u>	<u><u>2,152</u></u>	<u><u>2,425</u></u>	<u><u>1,346</u></u>

Source: State Board of Equalization, State of California Taxable Sales in California, and the HDL CAFR 2017-18 report - Taxable Sales by Category table.

Schedule 12
City of San Luis Obispo, California
Historical Sales and Use Tax Rates

Effective Date	End Date	State Jurisdiction	Local Transportation Fund	City Rate	Combined Rate
8/1/1933	6/30/1935 (Note 2)	2.50%			2.50%
7/1/1935	6/30/1943	3.00%			3.00%
7/1/1943	6/30/1949	2.50%			2.50%
7/1/1949	12/31/1961	3.00%			3.00%
1/1/1962	7/31/1967	3.00%		1.00%	4.00%
8/1/1967	6/30/1972	4.00%		1.00%	5.00%
7/1/1972	6/30/1973	3.75%	0.25%	1.00%	5.00%
7/1/1973	9/30/1973	4.75%	0.25%	1.00%	6.00%
10/1/1973	3/31/1974	3.75%	0.25%	1.00%	5.00%
4/1/1974	11/30/1989	4.75%	0.25%	1.00%	6.00%
12/1/1989	12/31/1990	5.00%	0.25%	1.00%	6.25%
1/1/1991	7/14/1991	4.75%	0.25%	1.00%	6.00%
7/15/1991	12/31/2000	6.00%	0.25%	1.00%	7.25%
1/1/2001	12/31/2001	5.75%	0.25%	1.00%	7.00%
1/1/2002	6/30/2004	6.00%	0.25%	1.00%	7.25%
7/1/2004	3/31/2007 (Note 3)	6.25%	0.25%	0.75% (Note 3)	7.25%
4/1/2007	3/31/2009	6.25%	0.25%	1.25% (Note 4)	7.75%
4/1/2009		7.25%	0.25%	1.25%	8.75%
7/1/2011		6.25%	0.25%	1.25%	7.75%
1/1/2013		7.25%	0.25%	0.50%	8.00%
1/1/2014		7.25%	0.25%	0.50%	8.00%
1/1/2015		7.25%	0.25%	0.50%	8.00%
1/1/2016		7.25%	0.25%	0.50%	8.00%
1/1/2017		7.00%	0.25%	0.50%	7.75%
1/1/2018		7.00%	0.25%	0.50%	7.75%

Notes:

1. The Bradley-Burns Uniform Local Sales and Use Tax Law was enacted in 1955. The law authorizes cities and counties to impose a sales and use tax. Effective January 1, 1962, all cities and counties have adopted ordinances for the State Board of Equalization to collect the local tax.
2. Sales tax only. The use tax was enacted effective July 1, 1935.

Schedule 12
City of San Luis Obispo, California
Historical Sales and Use Tax Rate, continued

3. In March 2004, a State ballot measure was passed issuing deficit reduction bonds for State purposes. Funding was provided effective July 1, 2004 by repealing 25% of the local 1% sales tax and then adopting a new 1/4-cent sales tax dedicated to repayment of the deficit reduction bonds. Cities and counties would then be "made whole" by the State from increased property tax allocations via reduced contributions to ERAF. This "triple flip" is theoretically revenue-neutral, and as such, the effective rate for revenue purposes remains at 1%.
4. In November 2006, voters in San Luis Obispo approved a local sales tax measure increasing the City rate by 1/2%, which became effective April 1, 2007. The sales tax measure has a sunset provision of 8 years. The local Sales Tax was extended as Measure G in the November 2014 election for 8 years.
5. Proposition 30, *The Schools and Local Public Safety Protection Act of 2012*, was approved by California voters in November 2012 to temporarily increase the sales and use tax by 0.25%. The sales and use tax imposed by Proposition 30 expired December 31, 2016.

Source: State Board of Equalization, State of California

Schedule 13
City of San Luis Obispo, California
Schedule of Business Tax Certificates Issued
Fiscal Years Ended June 30, 2016 and 2015

	2018		2017	
	No. of Certificates	Percent	No. of Certificates	Percent
Construction	993	12.1%	1,019	12.6%
Manufacturing	165	2.0%	144	1.8%
Transportation/Utilities	40	0.5%	40	0.5%
Wholesale	138	1.7%	140	1.7%
Retail	1,087	13.2%	1,035	12.7%
Professional	1,059	12.9%	1,152	14.2%
Residential Rental	2,338	28.4%	2,430	29.9%
Commercial Rental	311	3.8%	313	3.9%
Services	2,099	25.5%	1,845	22.7%
Total business certificates issued	8,230	100%	8,118	100%
Home occupations	751	9.1%	740	9.1%
Located outside City limits	1,872	22.7%	1,699	20.9%
Located in Downtown Business Improvement District	628	7.6%	615	7.6%

Source: City of San Luis Obispo Finance Department - Revenue Division

Schedule 14
City of San Luis Obispo, California
Per Capita Outstanding Debt by Type
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Per Capita	Percentage of Gross Assessed Value
	Bonds	Lease Purchase Financing	Loans	Bonds	Lease Purchase Financing	Installment Sales Agreement	Loans			
2008-09	\$ 29,949,300	\$ 211,200	\$	\$ 35,330,700	\$ 1,142,100	\$ 2,050,000	\$ 31,219,700	\$ 99,903,000	\$ 2,232	1.64%
2009-10	28,448,900	161,400		33,946,100	872,900	1,950,000	28,554,000	93,933,300	2,090	1.49%
2010-11	26,806,500	1,109,800		32,503,500	593,500	1,845,000	25,807,000	88,665,300	1,973	1.41%
2011-12	24,962,100	955,900		30,082,900	302,300	1,735,000	22,976,300	81,014,500	1,788	1.31%
2012-13	23,574,900	823,400	2,025,100	28,625,150	-	1,620,000	20,309,200	76,977,750	1,690	1.23%
2013-14	22,152,010	711,622	850,775	27,083,025	-	8,979,000	19,446,784	79,223,216	1,742	1.27%
2014-15	28,556,715	1,127,606	766,092	25,983,320	-	8,481,043	18,559,851	83,474,627	1,836	1.28%
2015-16	27,762,893	1,374,773	679,314	25,323,405	-	7,932,327	17,647,622	80,720,334	1,741	1.16%
2016-17	26,328,540	1,898,652	591,647	24,072,708	-	7,366,468	16,709,160	76,967,175	1,660	0.99%
2017-18	23,484,450	1,599,769	503,101	21,815,204	-	6,783,114	15,743,808	69,929,446	1,502	0.85%

Sources:
City of San Luis Obispo Finance Department

Schedule 15
City of San Luis Obispo, California
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Fiscal Year	Population	Net Taxable Assessed Value	General Bonded Debt	Service Payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2008-09	44,750	\$6,108,262,300	0	0	0	0.0%	0
2009-10	44,948	6,291,559,300	0	0	0	0.0%	0
2010-11	45,418	6,270,234,200	0	0	0	0.0%	0
2011-12	45,308	6,176,832,100	0	0	0	0.0%	0
2012-13	45,541	6,261,931,900	0	0	0	0.0%	0
2013-14	45,473	6,454,835,328	0	0	0	0.0%	0
2014-15	45,484	6,814,727,785	0	0	0	0.0%	0
2015-16	46,377	7,275,544,122	0	0	0	0.0%	0
2016-17	46,724	7,702,282,828	0	0	0	0.0%	0
2017-18	46,548	8,179,683,454	0	0	0	0.0%	0

Notes:

1. Valuations are established by the County Assessor of the County of San Luis Obispo, except for property owned by private utility companies, which is valued by the State of California.
2. See Schedule of Demographic and Economic Statistics for population data.
3. Personal income information is not available. Net Bonded Debt is expressed as a ratio to Assessed Value.

Sources: HDL CAFR 2017-18 report - Demographic and Economic Statistics table.

Schedule 16
City of San Luis Obispo, California
District and Overlapping Long-Term Debt
Fiscal Year Ended June 30, 2016

	Percent Applicable to the City of San Luis Obispo	Amount Applicable to the City of San Luis Obispo as of June 30, 2018
Direct long-term debt:		
City of San Luis Obispo 2006 Water Revenue Bonds	100.000%	\$ 12,520,000
City of San Luis Obispo 2012 Refunding Revenue Bonds (2001)	100.000%	3,735,000
City of San Luis Obispo 2012 Water Revenue Refunding Bonds (2002)	100.000%	2,540,000
City of San Luis Obispo 2014 LOVR Lease Revenue Bonds	100.000%	7,135,000
City of San Luis Obispo 2018 Lease Revenue Bonds		16,905,000
		42,835,000
Overlapping long-term debt (percentage of overlapping agency's assessed valuation located within boundaries of the City):		
San Luis Obispo County General Fund Obligations	16.170%	3,900,204
San Luis Obispo County Pension Obligations	16.170%	14,029,803
City of San Luis Obispo Lease Revenue Bonds	100.000%	27,760,000
		45,690,007
Less: City of San Luis Obispo obligations supported by enterprise revenues		5,963,746
Total gross direct and overlapping long-term debt		39,726,261
Less self-supporting issues:		
City of San Luis Obispo 2006 Water Revenue Bonds		12,520,000
City of San Luis Obispo 2012 Water Revenue Refunding Bonds (2002)		2,540,000
Total self-supporting issues		15,060,000
		\$ 24,666,261
Ratio of long-term debt to assessed valuation and population		
Gross Assessed Valuation		\$ 8,179,683,454
Population		46,548

Schedule 16
City of San Luis Obispo, California
District and Overlapping Long-Term Debt, continued
Fiscal Year Ended June 30, 2016

	Amount	Percent of Gross Assessed Valuation	Per Capita Long-Term Debt
Direct and Overlapping Debt:			
Gross	\$39,726,261	0.5%	\$853.45
Net	24,666,261	0.3%	530
Direct Debt:			
Gross	\$42,835,000	0.5%	\$920.23
Net	27,775,000	0.3%	597

SOURCE: California Municipal Statistics, Inc. HDL CAFR report.

Schedule 17
City of San Luis Obispo, California
Computation of Legal Debt Margins
Last Ten Fiscal Years
(amounts expressed in thousands)
For the Fiscal Year Ended June 30

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Legal debt limit	\$ 229,059	\$ 235,815	\$ 234,887	\$ 231,384	\$ 234,822	\$ 241,812	\$ 244,175	\$ 272,833	\$ 288,836	\$ 306,738
Total debt applicable to limit										-
Legal debt margin	229,059	235,815	234,887	231,384	234,822	241,812	244,175	272,833	288,836	306,738
Total debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2017-18

Gross Assessed Valuation	<u><u>\$ 8,179,683,454</u></u>
Legal Debt Limit - 3.75% of Gross Assessed Valuation	<u><u>\$ 306,738,130</u></u>
Long-term Debt:	
Revenue Bonds Secured by Capital Leases	\$ 10,870
Water Revenue Bonds	<u>15,060</u>
	25,930
Less deductions allowed by law:	
Revenue Bonds Secured by Capital Leases	10,870
Water Revenue Bonds	<u>15,060</u>
	25,930
Total debt applicable to computed limit	<u><u>\$0</u></u>
Legal debt margin	<u><u>\$ 306,738,130</u></u>

Note: The California Government Code provides for a legal debt limit of 15% of gross assessed valuation based on 25% of market value, or a legal debt limit of 3.75%.
The City's debt management policy, however, sets a more restrictive debt limit of 2% of assessed valuation.

Schedule 18
City of San Luis Obispo, California
Revenue Bond Coverage – Water Fund
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Fiscal Year	Operating Revenues	Less Development Impact Fees	Other Revenues	Operating & Maintenance Expenses	Net Revenue Available for Bond Debt Service	Bonded Debt Service Requirements			Coverage	Coverage With Impact Fees
						Principal	Interest	Total		
2008-09	\$ 13,447,400	\$ (663,000)	\$ 1,339,700	\$ (7,877,500)	\$ 6,246,600	\$ 1,420,300	\$ 1,200,368	\$ 2,620,668	238%	264%
2009-10	13,755,800	(448,200)	719,800	(7,603,500)	6,423,900	1,078,960	1,171,884	2,250,844	285%	305%
2010-11	14,256,100	(639,600)	384,500	(12,389,200)	1,611,800	1,107,790	1,137,021	2,244,811	72%	100%
2011-12	16,266,300	(643,200)	825,400	(13,666,100)	2,782,400	1,146,885	1,137,445	2,284,330	122%	150%
2012-13	18,250,700	(1,578,100)	97,500	(13,353,300)	3,416,800	1,096,215	995,419	2,091,634	163%	239%
2013-14	19,676,199	(819,477)	215,915	(13,996,427)	5,076,210	1,160,700	964,148	2,124,848	239%	277%
2014-15	20,552,417	(2,471,501)	59,594	(13,451,298)	4,689,212	1,285,686	906,775	2,192,461	214%	327%
2015-16	20,137,422	(1,543,268)	53,731	(14,056,603)	4,591,282	1,245,486	881,318	2,126,804	216%	288%
2016-17	19,873,517	(1,266,674)	410,484	(14,754,114)	4,263,213	1,290,748	837,657	2,128,405	200%	260%
2017-18	21,997,054	(2,131,345)	325,268	(16,250,751)	3,940,226	1,336,267	792,337	2,128,604	185%	285%

Notes:

1. Debt service requirements include 2012 Refunding Revenue Bonds, 2006 Refunding Revenue Bonds, and the 2004 state revolving loan
2. The City refinanced its 2005 Refunding Lease Revenue Bonds, 2006 Lease Revenue Bonds, and 2009 Lease Revenue Bonds into the 2018 Lease Revenue Bonds.
3. Principal and interest amounts do not include the subordinate private placement loan retired in 2013.
4. Net revenues available for debt service exclude development impact fees.
5. Operating expenses exclude depreciation and amortization.

Source: City of San Luis Obispo Utilities Department

Schedule 19
City of San Luis Obispo, California
Revenue Bond Coverage – Parking Fund
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Bond Debt Service	Bonded Debt Service Requirements			Coverage
				Principal	Interest	Total	
2008-09	\$ 4,007,900	\$ (2,344,300)	\$ 1,663,600	\$ 415,800	\$ 462,500	\$ 878,300	189%
2009-10	3,788,300	(2,142,400)	1,645,900	599,600	449,200	1,048,800	157%
2010-11	3,730,100	(2,190,200)	1,539,900	621,800	428,700	1,050,500	147%
2011-12	3,688,200	(2,351,400)	1,336,800	642,600	408,100	1,050,700	127%
2012-13	4,726,000	(2,440,600)	2,285,400	663,500	386,000	1,049,500	218%
2013-14	4,122,860	(2,488,797)	1,634,063	690,600	361,822	1,052,422	155%
2014-15	4,905,494	(2,409,027)	2,496,467	447,962	504,407	952,369	262%
2015-16	4,606,249	(2,757,299)	1,848,950	466,185	501,631	967,816	191%
2016-17	4,659,562	(2,671,028)	1,988,534	481,981	487,407	969,388	205%
2017-18	6,651,038	(2,998,555)	3,652,483	498,058	469,314	967,372	378%

Notes:

1. In 1994 the Capital Improvement Lease Revenue Bonds were refinanced resulting in new debt of \$11,780,000, of which \$7,421,400 is designated for the Parking Fund. In 2004 the 1994 bonds were refinanced with a maturity date of 2014. In 2006 Lease Revenue Bonds were issued resulting in new debt of \$16,160,000, of which \$8,726,400 is allocated to the Parking Fund.
2. The City refinanced its 2005 Refunding Lease Revenue Bonds, 2006 Lease Revenue Bonds, and 2009 Lease Revenue Bonds into 2018 Lease Revenue Bonds.
3. Operating expenses exclude depreciation.

Source: City of San Luis Obispo Finance Department.

Schedule 20
City of San Luis Obispo, California
Demographic and Economic Statistics
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Fiscal Year	Population (1)	Median Household Income (2)	Median Age (1)	Public Elementary and Secondary School Enrollment (4)	Cuesta Community College Enrollment (3)	Unemployment Rate (1)
2008-09	44,750	\$ 42,526	37.3	7,123	9,720	9.10%
2009-10	44,948	40,579	27.0	7,112	8,433	9.70%
2010-11	45,418	53,978	23.4	7,226	7,890	9.60%
2011-12	45,308	57,365	24.5	7,402	7,339	7.50%
2012-13	45,541	58,630	24.5	7,368	7,289	6.40%
2013-14	45,473	59,628	25.3	7,366	7,389	5.70%
2014-15	45,484	63,474	25.0	7,520	6,850	5.90%
2015-16	46,117	62,648	25.0	7,110	6,691	4.90%
2016-17	46,724	64,014	25.4	7,538	6,741	4.50%
2017-18	46,548	64,014	26.1	7,650	6,416	3.20%

Sources:

1. HDL 2017-18 CAFR report - Demographic and Economic Statistics table.

2. <http://www.california-demographics.com/san-luis-obispo-county-demographics>

3. Cuesta Community College Admissions Office.

Note: Enrolled students (head count) San Luis Obispo campus only

4. San Luis Coastal Unified School District Annual Community Report.

Note: The boundaries of SLCUSD are significantly larger than the City. The above school enrollment information also includes these outlying areas, most notably Los Osos, Morro Bay, and Avila Beach.

Schedule 21
City of San Luis Obispo, California
Principal Employers
Current Year and Nine Years Ago
For the Fiscal Year Ended June 30

<u>Employer</u>	<u>Number Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Cal Poly State University	3,000	1	11.95%	2,693	1	5.89%
County of San Luis Obispo	2,920	2	11.63%	2,570	2	5.62%
Dept of State Hospitals - Atascadero	1,964	3	7.82%	N/A	N/A	N/A
P.G. & E (Diablo Canyon)	1,757	4	7.00%	1,719	4	3.76%
California Men's Colony	1,500	5	5.98%	2,000	3	4.37%
Tenet Health Care Corp.	1,305	6	5.20%	1,100	7	2.41%
Compass Health	1,200	7	4.78%	N/A	N/A	N/A
San Luis Coastal Unified School District	1,200	8	4.78%	873	8	1.91%
MindBody	1,035	9	4.12%	N/A	N/A	N/A
Lucia Mar Unified School District	1,000	10	3.98%	N/A	N/A	N/A
	<hr/>		<hr/>	<hr/>		<hr/>
Total	<u>16,881</u>		<u>67.25%</u>	<u>10,955</u>		<u>23.96%</u>

Note: Source for the 2017-18 employers information is the 2017 Pacific Coast Business Times (The List). This information represents employers in San Luis Obispo County.

Schedule 22
City of San Luis Obispo, California
Regular Authorized Positions
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Function	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Public Safety										
Police										
Sworn	64.0	59.0	59.0	57.0	57.0	60.0	60.0	61.0	61.0	61.5
Non-sworn	28.0	27.5	27.5	26.5	25.5	25.5	25.5	25.5	25.5	24.0
Fire										
Sworn	44.0	44.0	44.0	44.0	44.0	49.0	49.0	50.0	47.0	47.0
Non-sworn	10.0	9.8	9.0	7.8	6.8	4.0	4.0	4.0	10.0	10.0
Public Utilities	66.8	63.8	63.8	60.9	61.9	64.8	64.8	67.1	69.1	69.1
Transportation	32.0	30.0	29.2	31.8	31.8	28.9	28.9	36.8	36.8	68.3
Leisure, Cultural and Social Services	33.0	33.0	33.0	32.0	32.0	34.0	34.0	35.0	35.0	34.0
Community Development	40.3	37.3	37.3	42.8	43.8	39.5	40.0	51.0	51.0	32.4
General Government	59.5	54.8	54.8	50.5	52.2	56.0	56.0	57.0	61.0	45.5
Total	377.6	359.2	357.6	353.3	355.0	361.7	362.2	387.4	396.4	391.8
Ratio of Sworn Police Personnel per 1,000 Population:*	1.43	1.31	1.30	1.26	1.25	1.32	1.32	1.33	1.31	1.32
Ratio of Sworn Fire Personnel per 1,000 Population:*	0.98	0.98	0.97	0.97	0.97	1.08	1.08	1.06	1.01	1.01

*Does not include the Cal Poly student and faculty population served.

Note: See Schedule of Demographic and Economic Statistics for population data.

Source: City of San Luis Obispo Finance Department

Schedule 23
City of San Luis Obispo, California
Operating Indicators and Capital Asset Statistics by Function
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Function/Program:	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Police:										
Calls for police/fire service	33,211	32,057	32,074	34,751	36,236	34,659	36,515	38,300	39,620	39,103
Incident numbers issued	28,855	27,555	27,595	29,991	31,156	29,277	31,048	32,542	33,360	32,730
Police reports written	7,839	7,454	7,661	8,322	9,192	8,665	8,435	8,852	8,675	7,735
Traffic citations issued	7,099	*								
Other citations issued	1,315	*								
Violations cited	8,410	8,471	5,939	8,119	7,213	5,793	6,648	7,673	7,649	7,524
Citations issued	7,737	7,398	5,380	7,718	6,665	5,275	6,204	7,038	7,030	6,752
Collision reports	693	718	728	669	643	625	630	587	608	609
Violent crimes:**	136	140	126	134	117	158	237	173	177	178
Willful homicide**				2	1	0	0	0	0	0
Forcible rape**	32	30	27	24	18	31	44	29	38	44
Robbery**	38	39	35	34	19	26	25	13	21	23
Aggravated assault**	66	71	64	74	79	101	168	131	118	111
Property crimes:**	649	620	640	714	804	713	542	637	731	644
Burglary**	334	324	372	330	414	328	206	225	251	172
Motor vehicle theft**	55	68	54	107	81	63	71	87	95	94
Larceny-theft:**	1,328	1,240	1,260	1,345	1,476	1,384	1,162	1,335	1,730	1,516
Over \$400**	260	228	214	277	309	322	265	325	385	378
\$400 and under**	1,068	1,012	1,046	1,068	1,167	1,062	897	1,010	1,345	1,138
Fire:										
Medical responses*** (Note 4)	2,613	3,325	2,799	2,856	2,985	3,232	3,417	3,540	4,538	4,248
Fire suppression responses*** (Note 4)	110	133	101	102	95	105	111	151	143	163
Hazardous materials responses*** (Note 4)	26	36	23	17	21	15	21	22	21	17
Other responses*** (Note 4)	1,897	1,224	1,528	1,552	1,812	1,840	1,929	2,158	1,799	1,785
<i>Total service responses***</i>	<i>4,646</i>	<i>4,718</i>	<i>4,451</i>	<i>4,527</i>	<i>4,913</i>	<i>5,192</i>	<i>5,478</i>	<i>5,871</i>	<i>6,501</i>	<i>6,213</i>
Fire and life-safety inspections***	1,977	1,110	2,489	2,431	2,494	644	2,476	2,516	3,756	3,738
Arson investigations***	29	47	22	18	49	44	17	44	8	12
Education activities (# of people)***	15,000	14,000	20,106	23,120	23,377	23,945	23,697	23,680	23,575	23,540

Schedule 23
City of San Luis Obispo, California
Operating Indicators and Capital Asset Statistics by Function, continued
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Function/Program:	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Public Utilities:										
Water/Sewer customer accounts	14,682	14,875	14,734	14,695	14,742	14,899	14,953	15,167	15,188	15,505
Miles of sewerline	137	137	137	137	137	197	139.6		138	143
Miles of waterline	182	182	185	185	187	187	*187	191	197	187
Water service line repairs and renewals*****	142	95	86	50	66	58	60	50	50	57
Sewer main stoppages	12	10	9	7	12	15	13		11	4
Acre feet of water delivered - Nacimiento			981	2,321	663	1,506	839	3574	3817	3753
Acre feet of water delivered - Salinas	2,473	2,736	2,640	2,149	2,378	1,444	1,986	8	273	853
Acre feet of water delivered - Whale Rock	4,280	3,402		1,277	2,875	3,212	2,615	1,375	949	924
Transportation:										
Signals and lights:										
Intersections with traffic signals		60	67			70	68	70	70	70
Traffic signal service requests		100	80			85	80	85	90	60
Streetlights operated & maintained		220	2,230			2,300	2,300	2,300	2,300	2,280
Streetlight service requests		285	500			180	175	45	50	13
Parking spaces:										
Estimated miles of paved streets	125	125	130	132	132	133	133	133	133	134
Pavement condition index	74	73	74	72	71	72	72	71	71	70
Number of street lights	2,300	2,179	2,270	2,270	2,270	2,300	2,300	2,300	2,300	2,280
Traffic collisions	789	708	597	621	593	660	720	531	482	
Parking spaces provided (lot, garage & street)	3,060	3,059	3,067	3,065	3,071	3,119	3176	2953	2892	2871
Parking citations written	40,062	30,087	30,278	26,515	28,690	23,957	20,690	24,213	23,348	21,647
Total transit passengers	1,032,232	1,019,852	1,045,299	1,118,519	1,109,600	1,122,000	1,099,274	1,209,708	1,131,716	945,288

Schedule 23
City of San Luis Obispo, California
Operating Indicators and Capital Asset Statistics by Function, continued
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Function/Program:	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Leisure, Cultural and Social Services:										
Open space acres maintained	3,015	3,420	3,420	3,510	3,510	3,510	3,510	3,510	3,510	3,775
Open space easement acres	3,139	3,161	161	3,200	3,200	3,200	3,200	3,200	3,200	3,200
Trail mileage	38	40	40	45	47	49	49	52	52	55
Total golf rounds played	42,438	34,376	32,228	34,699	33,067	34,766	33,674	30,572	28,196	35,670
Acres of park landscape maintained	157	157	157	157	157	157	157	157	157	500
Trees in City jurisdiction	18,600	17,779	18,700	18,700	18,700	18,700	19,000	20,000	20,000	20,000
Children's services enrollment totals	816	900	1,664	1,755	1,605	2,338	2,360	2,115	2,115	1,950
Triathlon:										
participants, spectators and volunteers*****	6,600	6,700	5,400	6,000	6,525	6,000	5,500	5,200	5,000	887
Annual senior attendance (total)*****	14,576	14,250	14,500	14,000	14,200	*	*	*	265	331
Facility permits processed	1,273	1,971	1,806	1,803	1,269	1,416	836	1,305	1,073	864
Annual aquatics attendance (total)	61,264	60,052	56,676	56,042	67,000	73,903	83,107	68,403	96,687	97,701
Adult athletic teams registered	229	255	245	320	325	338	320	325	325	362
Youth athletic participants registered	1,625	1,650	1,320	1,400	1,300	1,200	1,350	1,300	1,150	1,115
Special event applications processed	53	57	68	78	84	103	103	77	101	88
Banner permits processed	71	65	72	86	76	82	47	87	56	45
Instructional class enrollments	2,017	1,837	1,628	1,400	1,308	1,424	1,751	1,151	1,724	1,439

Schedule 23
City of San Luis Obispo, California
Operating Indicators and Capital Asset Statistics by Function, continued
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Function/Program:	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Community Development:										
Housing characteristics:										
Single family units	10,793	10,808		10,951	10,969	10,994	11,133	11,230	11,306	11,413
2-4 units	2,337	2,350		2,634	2,650	2,656	2,692	2,695	2,789	2,851
5 or more unit structures	5,654	5,702		5,596	5,596	5,647	5,767	5,804	6,038	6,097
Mobile homes	1,534	1,534		1,482	1,482	1,482	1,482	1,482	1,482	1,482
Total	20,318	20,394	-	20,663	20,697	20,779	21,074	21,211	21,615	21,843
Housing units (replaces above categories)			20,578							
Households (replaces above categories)			1,361							
Building permits issued (Note 1):	475	438	442	463	566	511	597	584	584	623
Residential:										
Single family residential (Note 2)	28	16	7	13	48	59	114	97	62	125
Multi-family residential	5	5	3	10	6	8	32	5	13	18
Non-residential	4	1	7	5	7	9	27	13	14	10
Other permits:										
Additions, alternations, demolitions (Note 4)	454	416	499	459	530	458	460	522	545	502
Other improvements										
Total	491	438	516	487	591	534	1,230	1,221	1,218	1,278
Approximate value of building permits (in thousands)										
Residential:										
Single family residential	\$ 6,800	\$ 4,424	\$ 6,085	\$ 3,278	\$ 15,698	\$ 15,412	\$ 36,722	\$ 26,441	\$ 16,340	\$ 23,094
Multi-family residential	4,286	2,528	926	3,847	1,560	6,744	26,499	13,500	15,022	16,094
Non-residential	10,482	525	16,608	5,142	1,935	15,310	9,791	11,484	56,308	9,703
Other permits:										
Additions, alternations, demolitions (Note 4)	21,080	26,464	15,948	16,589	20,761	19,139	22,897	30,230	24,787	30,686
Other improvements										
Total	\$ 42,648	\$ 33,941	\$ 39,567	\$ 28,856	\$ 39,954	\$ 56,605	\$ 95,909	\$ 81,655	\$ 112,457	\$ 79,577
Building inspections conducted	10,371	8,359	10,210	13,685	10,543	8,996	6,641	7,195	10,745	9,974
Home occupation permits processed	175	146	126	117	142	129	113	163	144	112
Development permit applications received	223	194	172	148	217	311	293	253	236	215

Schedule 23
City of San Luis Obispo, California
Operating Indicators and Capital Asset Statistics by Function, continued
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

Function/Program:	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
General Government:										
Business tax certificates issued:										
Located outside city limits	1,487	1,548	1,569	1,670	1,670	1,472	1,602	2,018	1,699	1,872
Total certificates issued	7,458	7,090	6,873	7,086	7,086	6,934	7,805	7,597	8,118	8,230
Human resources recruitments (total)	46	46	42	59	91	105	129	103	103	97
Fleet vehicles maintained	280	301								
City-wide fleet & equipment assets			290	290	290	290	300	318	323	339
Replaces prior category										
Telephone lines managed	925	1,003	1,003	1,024	981	995	1,037	1,005	998	907
Cell phones supported****	343	348	351	338	344	383	460	453	476	492
IT users supported	450	450	450	498	498	490	511	515	467	471

* Data Not Available

** Data from California Department of Justice based on calendar year

*** Data is based on calendar year

**** Includes cellular modems (70) (90 for 11-12)

***** The 2013-14 amount now includes recycled waterline.

*****The FY 2017-18 amount only includes Triathlon participants and volunteers

*****Starting in FY 2016-17, the amount only includes senior center membership

Notes: Some workload indicators are projections.

1. Excludes special permits such as plumbing, mechanical, electrical, signs, and grading as well as plan check permits.
2. Condominiums are included with single family residential.
3. Swimming pools are included with additions, alterations and demolitions.
4. In Fiscal year 2010-11, numbers reported used observed code from Spillman rather than condition code.

Source: City of San Luis Obispo Departments

Schedule 24
City of San Luis Obispo, California
Water System
Statistical Data
For the Fiscal Year Ended June 30

<u>Fiscal Year</u>	<u>Historic Connections</u>	<u>Increase/ (Decrease)</u>	<u>Sales Revenues</u>	<u>Increase/ (Decrease)</u>	<u>Deliveries In Acre Feet</u>	<u>Increase/ (Decrease)</u>
2008-09	14,493	0.79%	\$ 12,447,592	13.67%	6,320	-10%
2009-10	14,875	2.64%	13,025,900	4.65%	5,612	-11%
2010-11	14,777	-0.66%	13,302,800	2.13%	5,909	5%
2011-12	14,537	-1.62%	15,291,008	14.95%	5,999	2%
2012-13	14,758	1.52%	16,163,012	5.70%	5,823	-3%
2013-14	14,899	0.01%	18,398,901	13.83%	5,933	2%
2014-15	14,847	0.01%	17,530,717	-4.72%	5,354	-10%
2015-16	15,167	1.40%	17,939,024	2.33%	4,957	-7%
2016-17	15,357	1.25%	18,196,937	1.44%	5,039	2%
2017-18	15,505	0.01%	19,159,169	5.29%	5,530	10%

Source: City of San Luis Obispo Utilities Department.

Schedule 25
City of San Luis Obispo, California
Water and Sewer Rates
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

As of June 30 of Each Year	Water Rates (Note 1)		Sewer Rates (Monthly)		
	Monthly Consumption	Price per hcf*	Single family dwelling	Multi-family dwelling	Commercial
2009	0-5 hcf	\$4.19	\$5.50 min. charge per dwelling unit	\$5.50 min. charge per account	\$5.50 min. charge per account
	6-25 hcf	\$5.24			
	26 + hcf (note 2)	\$6.57	\$5.56/unit volume charge**	\$5.56/unit volume charge**	\$5.56/unit volume charge
2010	0-5 hcf	\$4.69	\$6.00 min. charge per dwelling unit	\$6.00 min. charge per account	\$6.00 min. charge per account
	6-25 hcf	\$5.87			
	26 + hcf (note 2)	\$7.36	\$6.63/unit volume charge **	\$6.63/unit volume charge**	\$6.63/unit volume charge
2011	0-5 hcf	\$5.21	\$6.55 min. charge per dwelling unit	\$6.55 min. charge per account	\$6.55 min. charge per account
	6-25 hcf	\$6.52			
	26 + hcf (note 2)	\$8.17	\$7.22/unit volume charge **	\$7.22/unit volume charge **	\$7.22/unit volume charge
2012	0-5 hcf	\$5.73	\$7.01 min. charge per dwelling unit	\$7.01 min. charge per account	\$7.01 min. charge per account
	6-25 hcf	\$7.17			
	26 + hcf (note 2)	\$8.99	\$7.73/unit volume charge **	\$7.73/unit volume charge **	\$7.73/unit volume charge
2013	Base Fee	\$5.00	\$7.43 min. charge per dwelling unit	\$7.43 min. charge per dwelling unit	\$7.43 min. charge per dwelling unit
	0-8 hcf	\$6.25			
	8 + hcf	\$7.82	\$8.19/unit volume charge **	\$8.19/unit volume charge **	\$8.19/unit volume charge
2014	Base Fee	\$5.28	\$7.73 min. charge per dwelling unit	\$7.73 min. charge per dwelling unit	\$7.73 min. charge per dwelling unit
	1-8 hcf	6.56			
	8 + hcf	8.20	\$8.52/unit volume charge**	\$8.52/unit volume charge**	\$8.52/unit volume charge
2015	Base Fee	\$9.98	\$7.96 min. charge per dwelling unit	\$7.96 min. charge per dwelling unit	\$7.96 min. charge per dwelling unit
	1-8 hcf	6.92			
	8 + hcf	8.65	\$8.77/unit volume charge**	\$8.77/unit volume charge**	\$8.77/unit volume charge

Schedule 25
City of San Luis Obispo, California
Water and Sewer Rates, continued
Last Ten Fiscal Years
For the Fiscal Year Ended June 30

As of June 30 of Each Year	Water Rates (Note 1)		Sewer Rates (Monthly)		
	Monthly Consumption	Price per hcf*	Single family dwelling	Multi-family dwelling	Commercial
2016	Base Fee	\$9.98	\$8.32 min. charge per dwelling unit	\$8.32 min. charge per dwelling unit	\$8.32 min. charge per dwelling unit
	Base Fee Drought Surcha	0.74			
	1-8 hcf	6.92	\$9.17/unit volume charge**	\$9.17/unit volume charge**	\$9.17/unit volume charge
	Drought Surcharge	1.10			
	9 + hcf	8.65			
	Drought Surcharge	1.37			
2017	Base Fee	\$9.98	\$8.57 min. charge per dwelling unit	\$8.57 min. charge per dwelling unit	\$8.57 min. charge per dwelling unit
	Base Fee Drought Surcha	0.74			
	1-8 hcf	6.92	\$9.44/unit volume charge**	\$9.44/unit volume charge**	\$9.44/unit volume charge
	Drought Surcharge	1.10			
	9 + hcf	8.65			
	Drought Surcharge	1.37			
2018	Base Fee	\$12.33	\$8.57 min. charge per dwelling unit	\$8.57 min. charge per dwelling unit	\$8.57 min. charge per dwelling unit
	1-8 hcf	7.27			
	9 + hcf	9.08	\$9.44/unit volume charge**	\$9.44/unit volume charge**	\$9.44/unit volume charge

*hcf = 100 cubic feet

** Total monthly volume charge capped based on average winter water consumption.

Notes:

1. Rates are for services inside the City, outside the City rates are double.
2. Third tier applies only to single-family residential customers.

Source: City of San Luis Obispo Utilities Department

Schedule 26
City of San Luis Obispo, California
Water System
Ten Largest Water Users
Fiscal Year Ended June 30, 2016

<u>Name</u>	<u>Service Type</u>	<u>Water Use (acre-feet)</u>	<u>Percent of Total</u>
City of San Luis Obispo Parks	Landscape	172.90	34.9%
SLO Coastal Unified School District	School	74.34	15.0%
Silver City Mobile Home Park	Mobile Homes	46.69	9.4%
Sierra Vista Hospital	Care Facilities	40.56	8.2%
Mustang Village	Apartments	35.56	7.2%
Creekside Mobile Homes	Mobile Homes	31.73	6.4%
Laguna Lake Mobile Homes	Mobile Homes	26.45	5.3%
Embassy Suites	Hotel	24.67	5.0%
Irish Hills Hamlet	Apartments	23.31	4.7%
Fiero Lane Water Company	Commercial	19.46	3.9%
Total		<u>495.7</u>	<u>100.00%</u>

Source: City of San Luis Obispo - Utilities Department

